INFORMATION SERVICES INDUSTRY

ANNUAL CLIENT PRESENTATION

1983

INPUT

About INPUT

INPUT provides planning information, analysis, and recommendations to managers and executives in the information processing industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions.

Continuous-information advisory services, proprietary research/consulting, merger/acquisition assistance, and multiclient studies are provided to users and vendors of information systems and services (software, processing services, turnkey systems, systems integration, professional services, communications, systems/software maintenance and support).

Many of INPUT's professional staff members have more than 20 years' experience in their areas of specialization. Most have held senior management positions in operations, marketing, or planning. This expertise enables INPUT to supply practical solutions to complex business problems.

Formed as a privately held corporation in 1974, INPUT has become a leading international research and consulting firm. Clients include more than 100 of the world's largest and most technically advanced companies.

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North America

San Francisco
1280 Villa Street
Mountain View, CA 94041-1194
Tel. (415) 961-3300
Fax (415) 961-3966

New York
959 Route 46 East, Suite 201
Parsippany, NJ 07054
Tel. (201) 299-6999
Fax (201) 263-8341

Washington, D.C.
1953 Gallows Road, Suite 560
Vienna, VA 22182
Tel. (703) 847-6870
Fax (703) 847-6872

International

London
Piccadilly House
33/37 Regent Street
London SW1Y 4NF, England
Tel. (071) 493-9335 Fax (071) 629-0179

Paris
52, boulevard de Sébastopol
75003 Paris, France
Tel. (33-1) 42 77 42 77 Fax (33-1) 42 77 85 82

Frankfurt
Sudetenstrasse 9
D-6306 Langgöns-Niederkleen
West Germany
Tel. (0) 6447-7229 Fax (0) 6447-7327

Tokyo
Saida Building
4-6, Kanda Sakuma-cho
Chiyoda-ku, Tokyo 101, Japan
Tel. (03) 864-0531 Fax (03) 864-4114

Information Services Industry Program (ISIP)
Annual Client Presentation
1983

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INFORMATION SERVICES - INDUSTRY ANNUAL CLIENT PRESENTATION

MCP
1983
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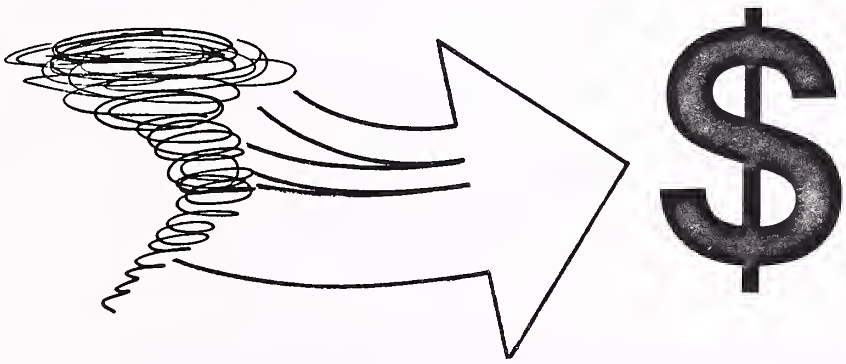
AUTHOR

TITLE

DATE LOANED	BORROWER'S NAME

INPUT Presents . . .

PROFITING FROM THE WHIRLWIND OF CHANGE



INPUT

002MCP3A

AGENDA

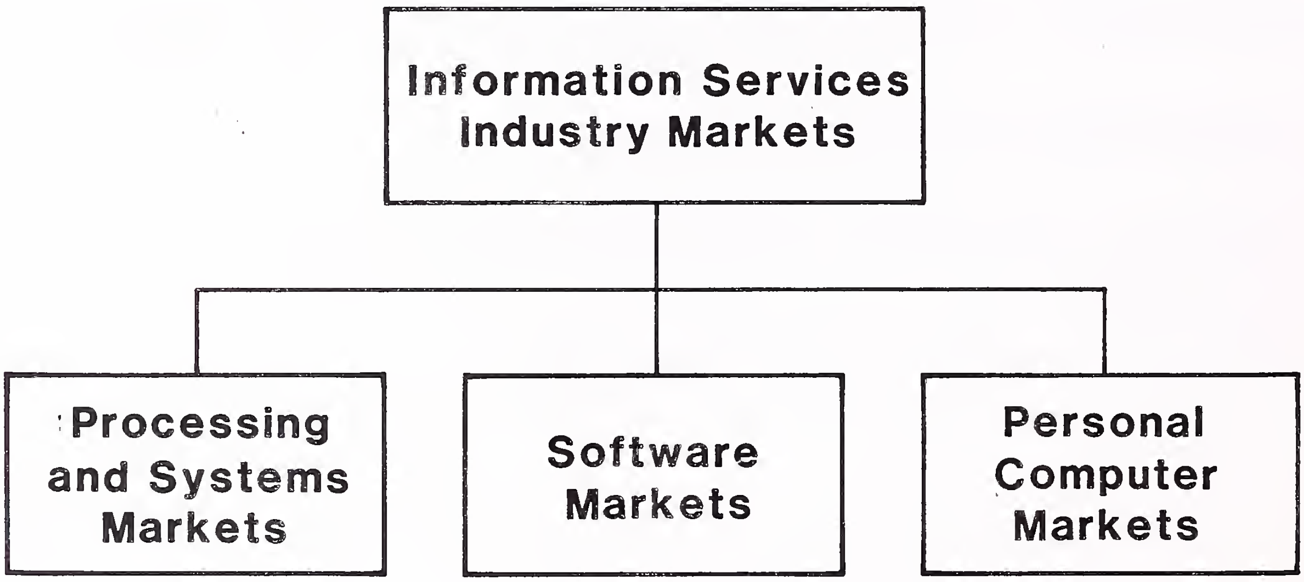
- Introduction
- Executive Summary
- Competitive Overview
- Industry Trends
- End-user Computing
- Market Outlook
- Conclusions and Recommendations

INPUT

INPUT PROGRAMS

- Information Systems Program (ISP)
- Information Services Industry Program (ISIP)
- Company Analysis and Monitoring Program (CAMP)
- Field Services Program (FSP)
- Federal Information Systems and Services Program
- Custom and Multi-client Research

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)



INPUT

8A MC

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)

Information Services Industry Markets
• Inquiry Service and Support • Joint Client Conference • Executive Bulletins, Seminars • Acquisition Strategy Report • Annual Industry Report Series • Market Alert: Banking/Finance • Market Alert: Discrete Manufacturing

INPUT

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)

Software Markets
• Annual Report - 1984-1989 • Annual Presentation • Five Market Reports - IBM Software Strategy - Software Productivity - Integrated DBMS - Applications - Fourth Generation Languages - Professional Services

INPUT

8D MC

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)

Processing and Systems Markets

- Annual Report - 1984-1989
- Annual Presentation
- Five Market Reports
  - On-line Data Bases
  - Telecommunications
  - PC-to-mainframe
  - Successful RCS Strategies
  - Small Organizations

INPUT

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)

Personal Computer Markets
• Annual Report - 1984-1989 • Annual Presentation • Five Market Reports - PC-to-mainframe - Applications Transfer - PC Software Support - Pricing and Distribution - Home Computers

INPUT

8EM

TODAY'S OBJECTIVE

- Describe Major Market Directions and Changes for 1983-1988

- Suggest High-potential Strategies and Actions

INPUT

THEME

Market's rapidly changing character requires a higher degree of business strategy integration.

INPUT

THEME

This integration combines previously distinct . . .

- **Markets**
- **Products**
- **Distribution Channels**
- **Delivery Modes**

INPUT

KEY ISSUES

- Integrating PCs with Processing Services
- Best Strategies for Processing Services Vendors
- Response to Potential Software Price Erosion
- Outlook for Data-based Services
- Competing Against Better Financed Vendors

INPUT

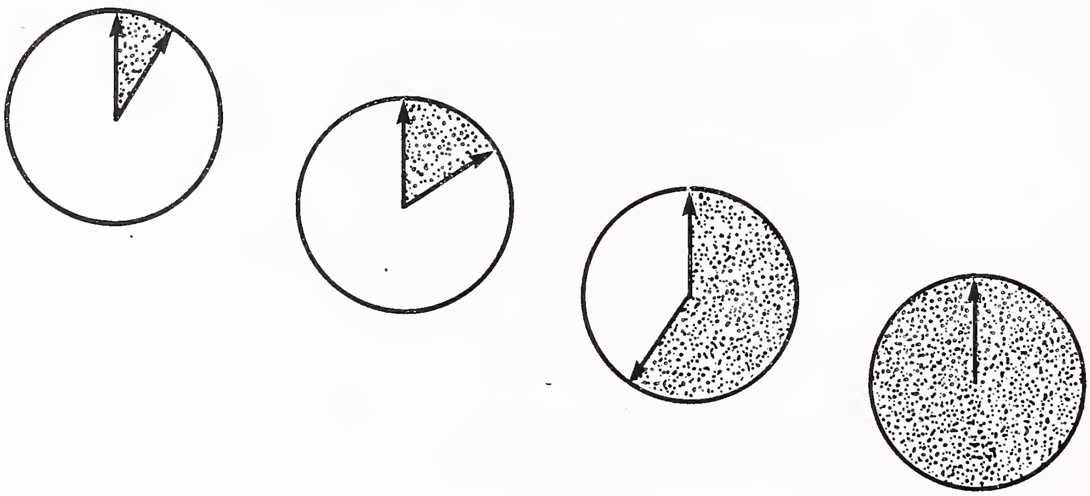
017M

EXECUTIVE SUMMARY

- Growth by Delivery Mode
  - 1983 Versus 1982
  - Five-year Forecasts
- Recap of Key Issues

INPUT

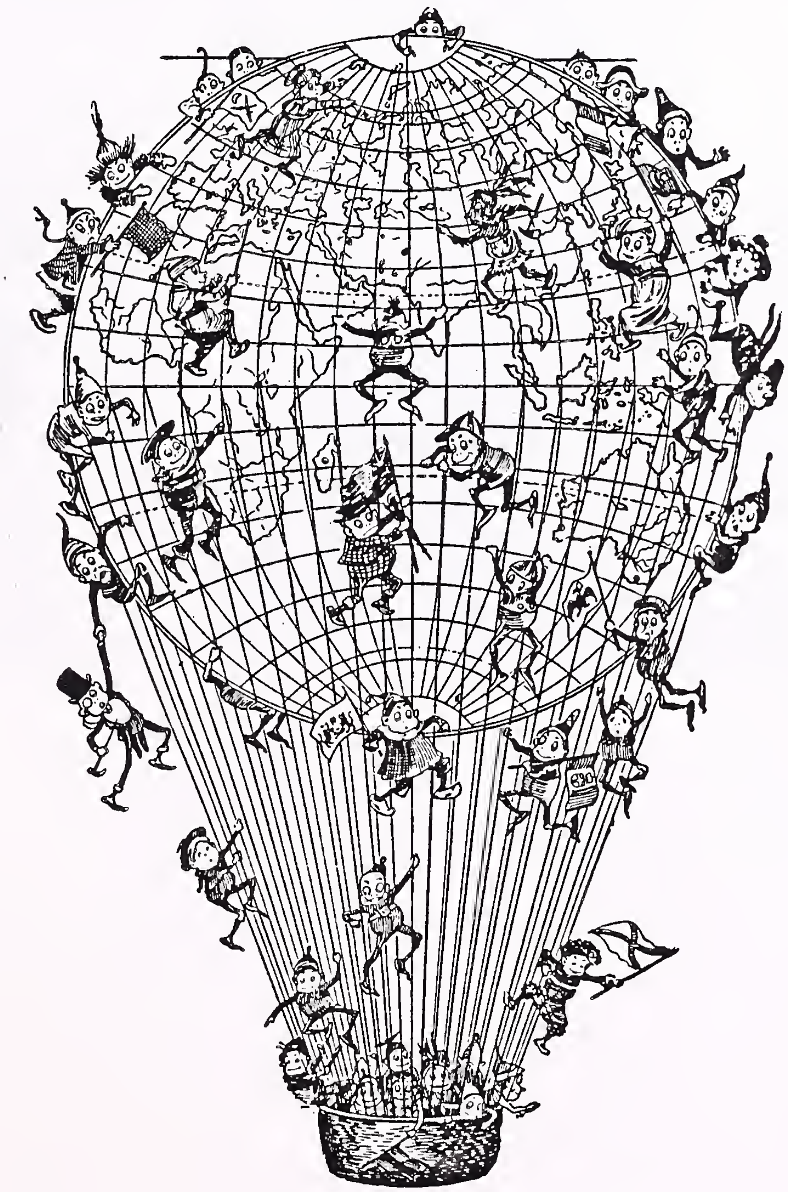
THE INFORMATION SERVICES INDUSTRY IN 60 SECONDS



INPUT

020MC

OPPORTUNITIES ABOUND



INPUT

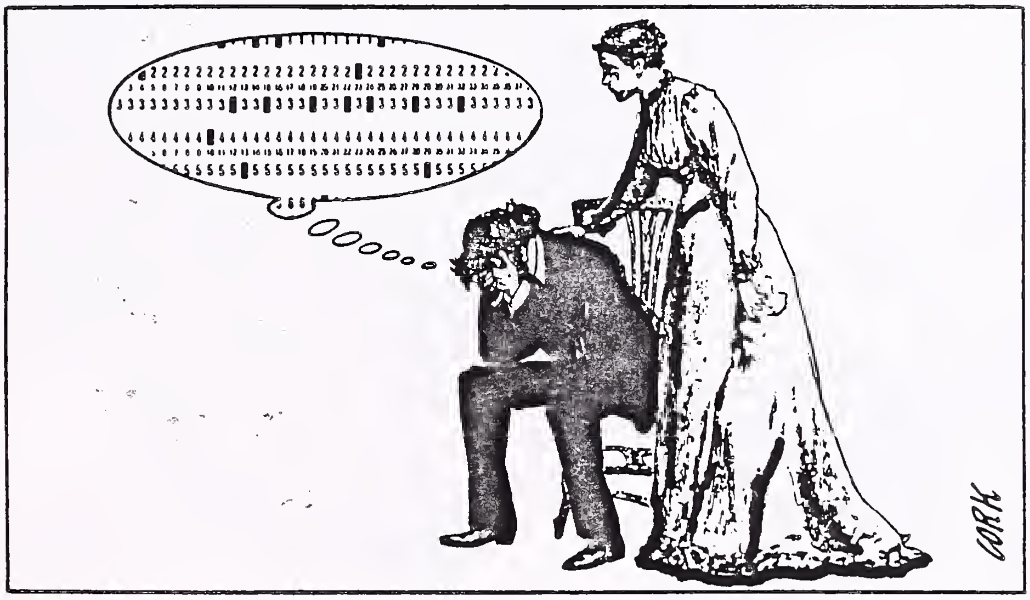
21MCP3

BUT DISAPPOINTMENTS CAN OCCUR

INPUT

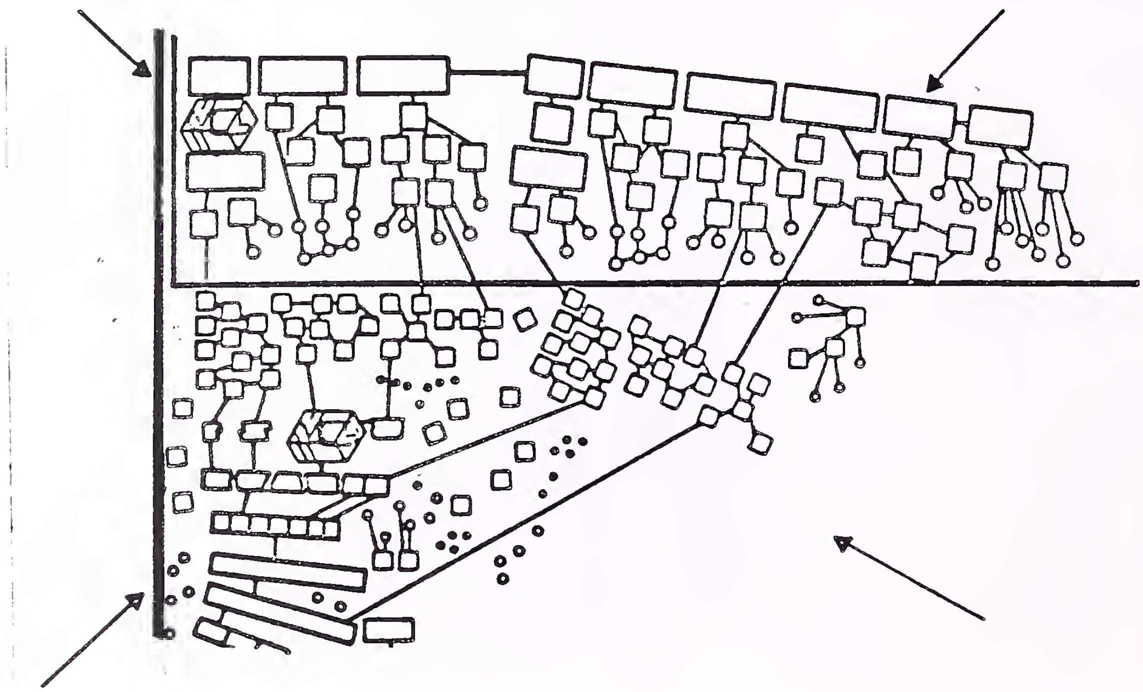
022MC

THE PAST IS GONE FOREVER



INPUT

EVERYTHING IS CHANGING



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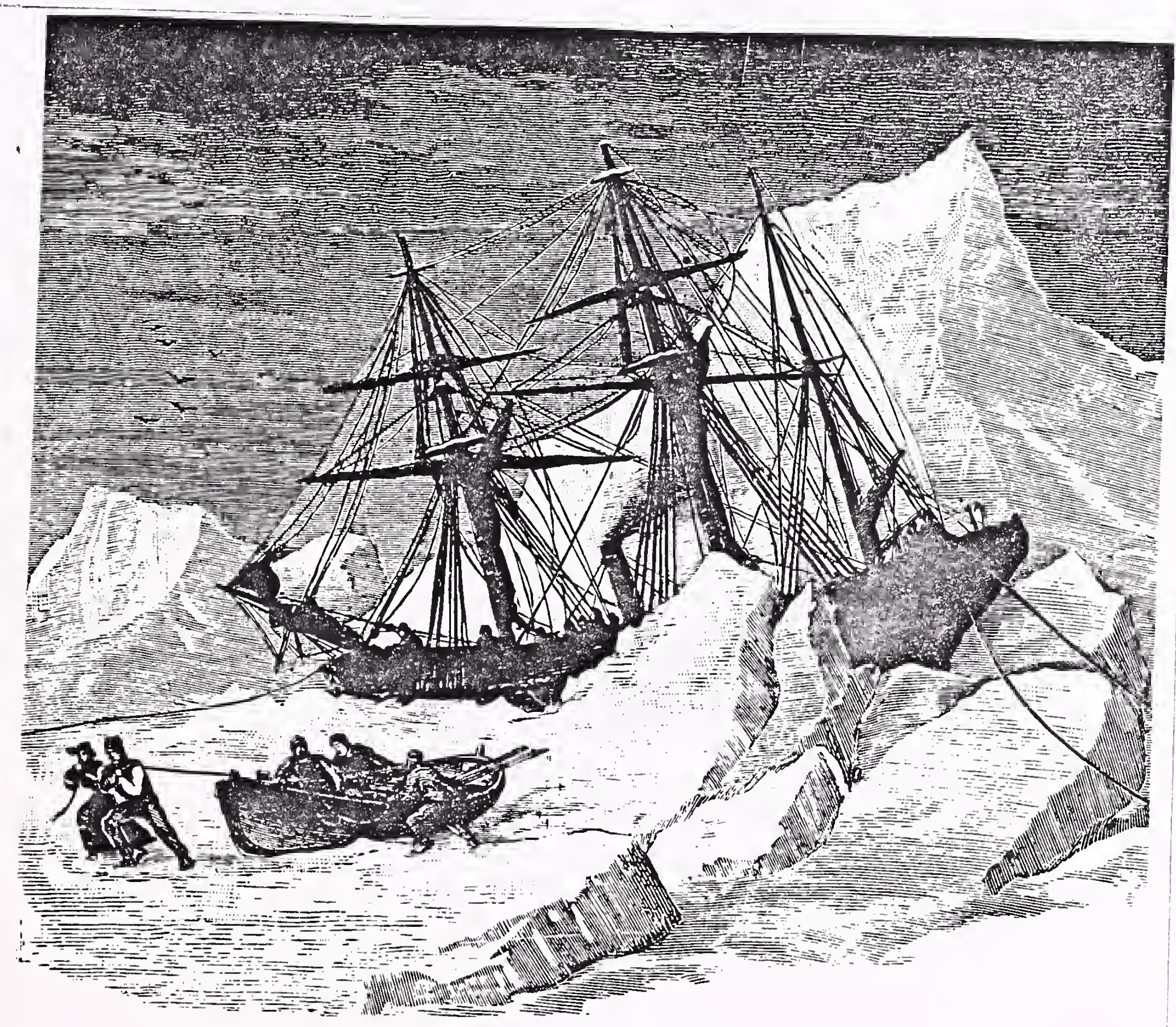
025MC

FLEXIBILITY IS CRUCIAL



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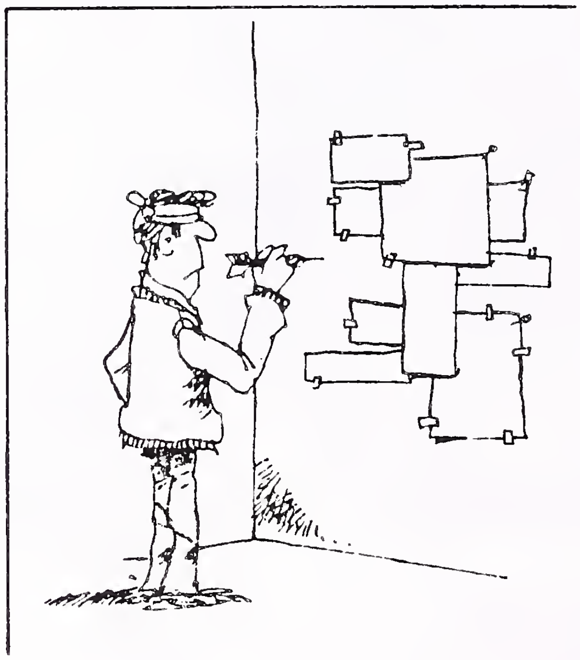
SELECT OPPORTUNITIES CAREFULLY



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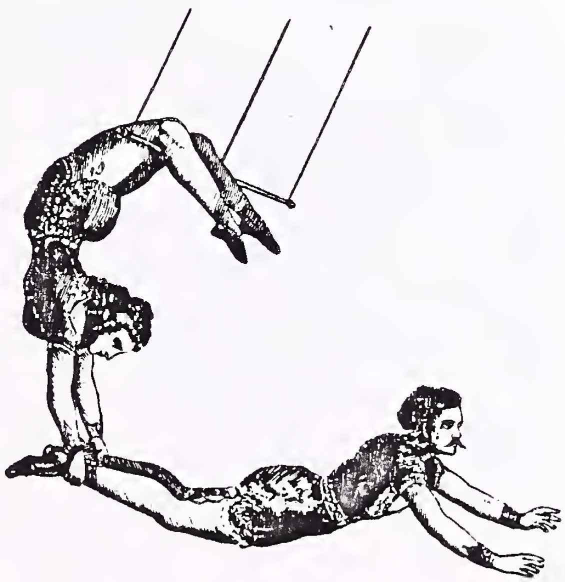
026M

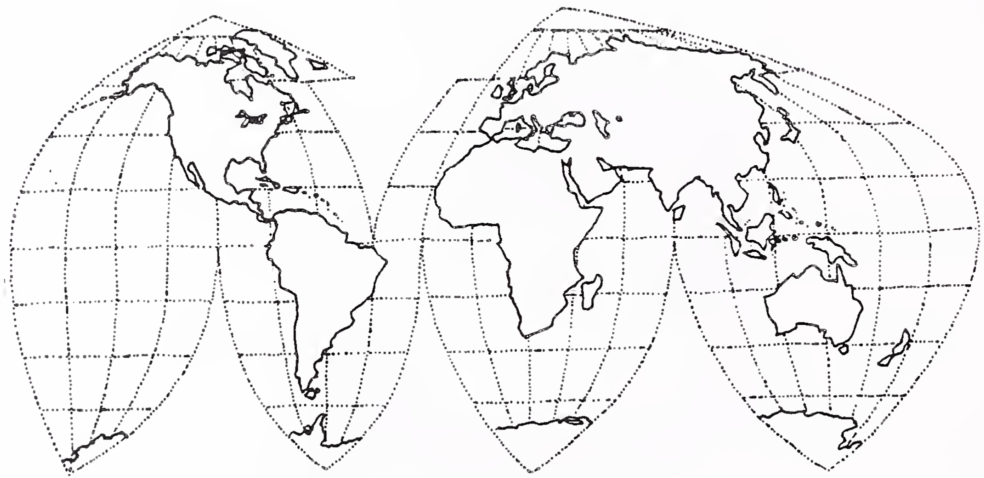
SEEK DEPENDABLE PARTNERS



INPUT

027MCP3

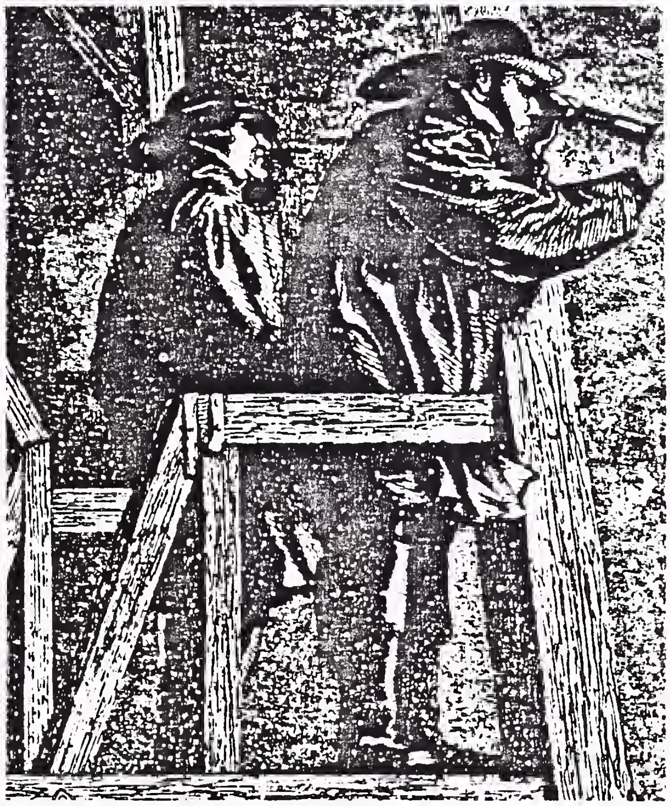
THERE'S
A WORLD OF OPPORTUNITY



INPUT

028

FORECASTS



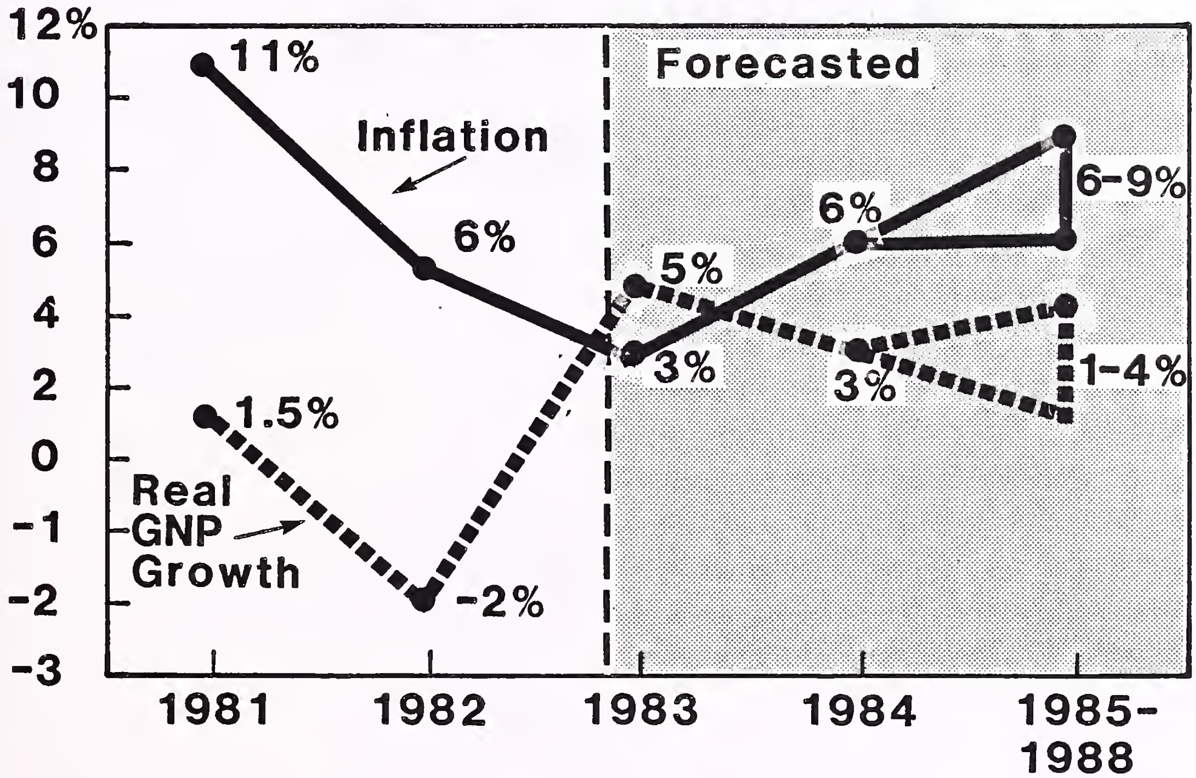
INPUT

FORECAST PARAMETERS

- U.S. Noncaptive User Expenditures
- Calendar Year
- Current Dollars
- AAGR = Average Annual Growth Rate

INPUT

ECONOMY TRENDS



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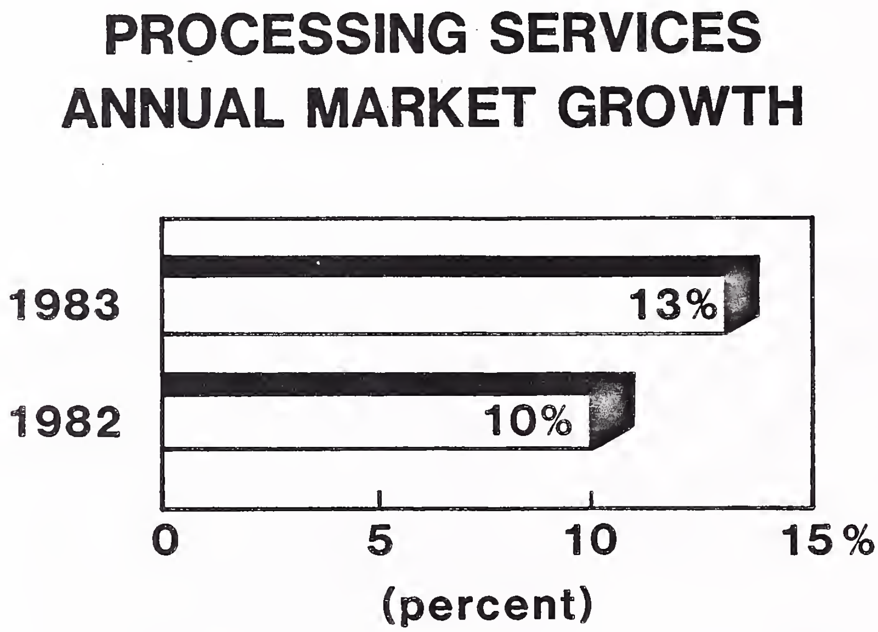
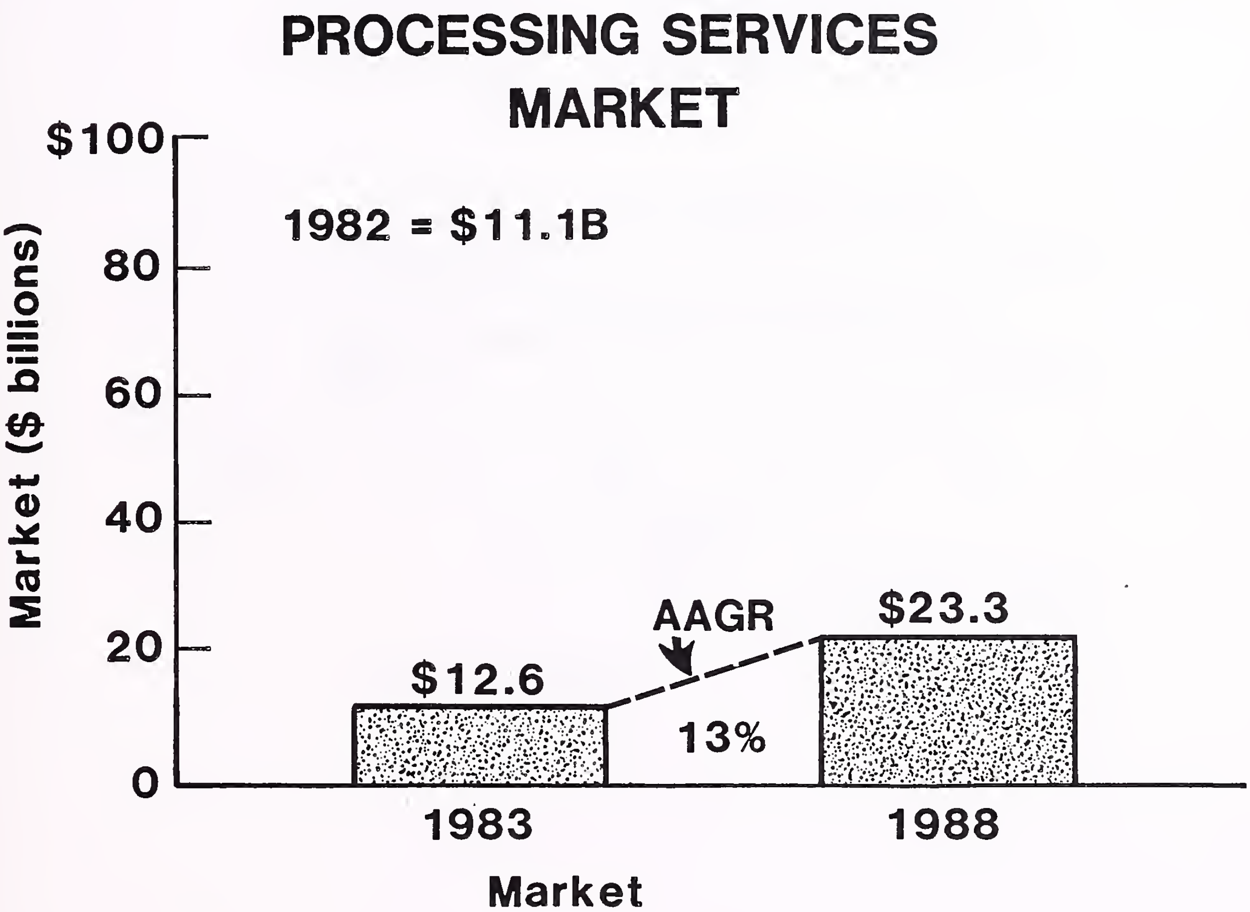
032MCP3


PROCESSING SERVICES
ANNUAL MARKET GROWTH
1983
13%
1982
10%
0
5
10
15%
(percent)

INPUT

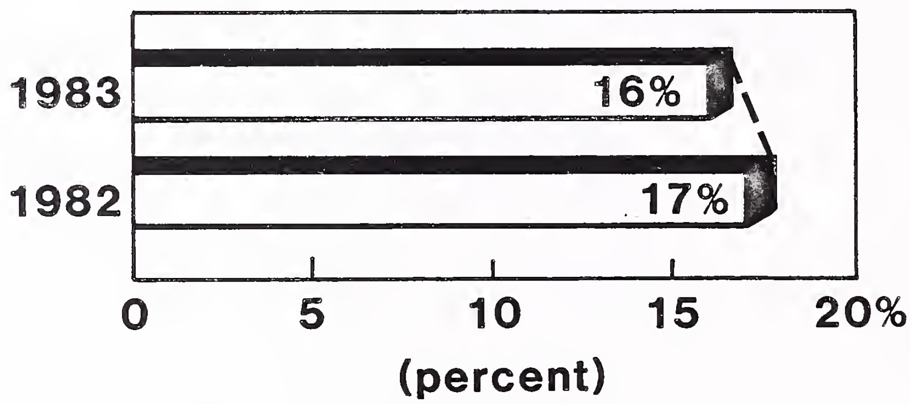
036



INPUT

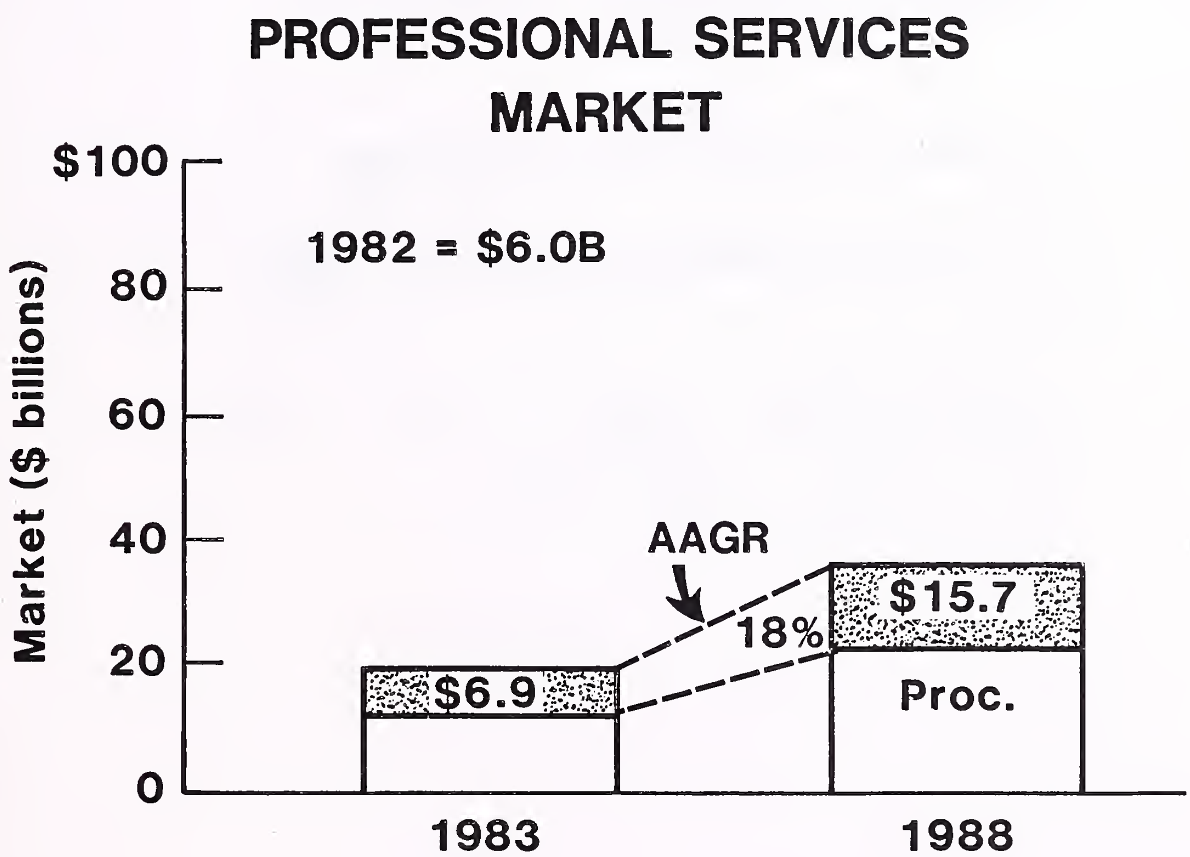
045MCP3

PROFESSIONAL SERVICES ANNUAL MARKET GROWTH



INPUT

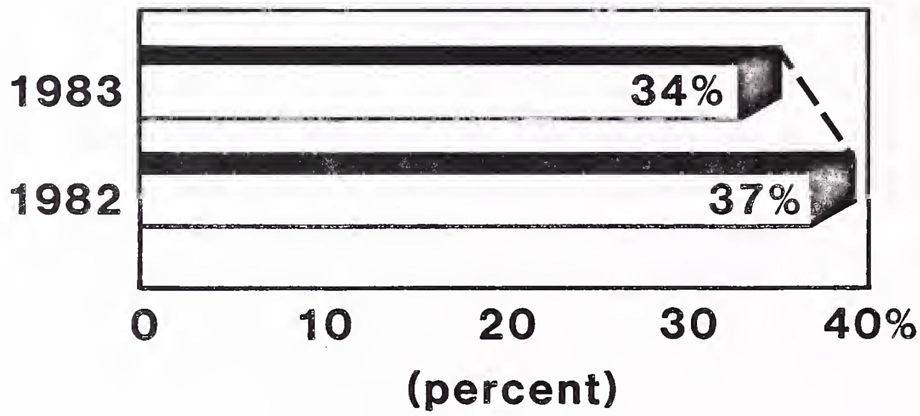
040



INPUT

046MCP3

SOFTWARE PRODUCTS ANNUAL MARKET GROWTH



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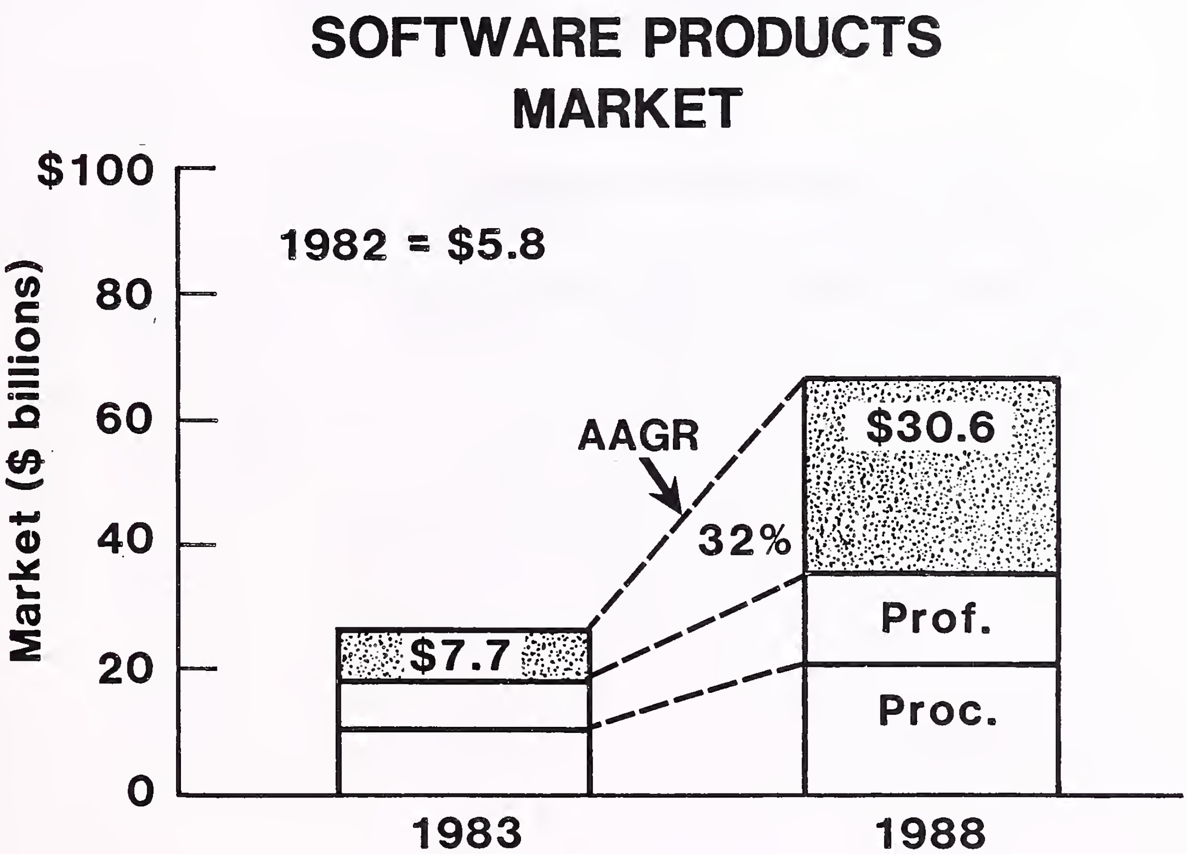
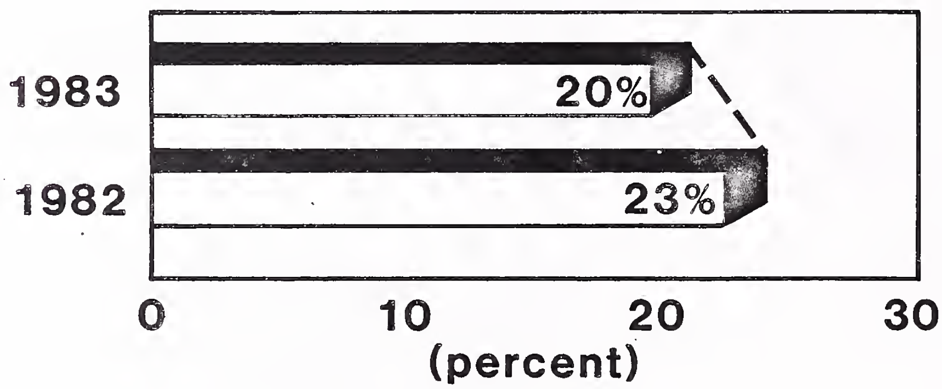


INPUT

047MCP3

INTEGRATED SYSTEMS ANNUAL MARKET GROWTH



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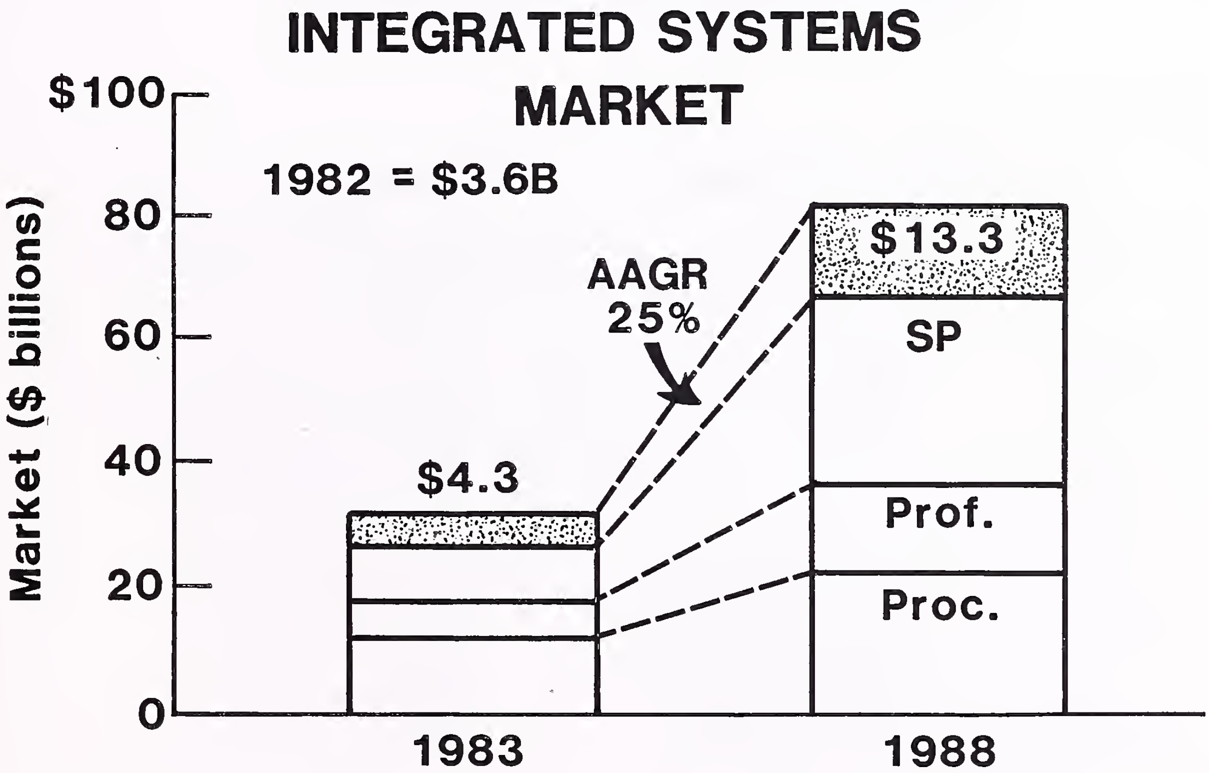
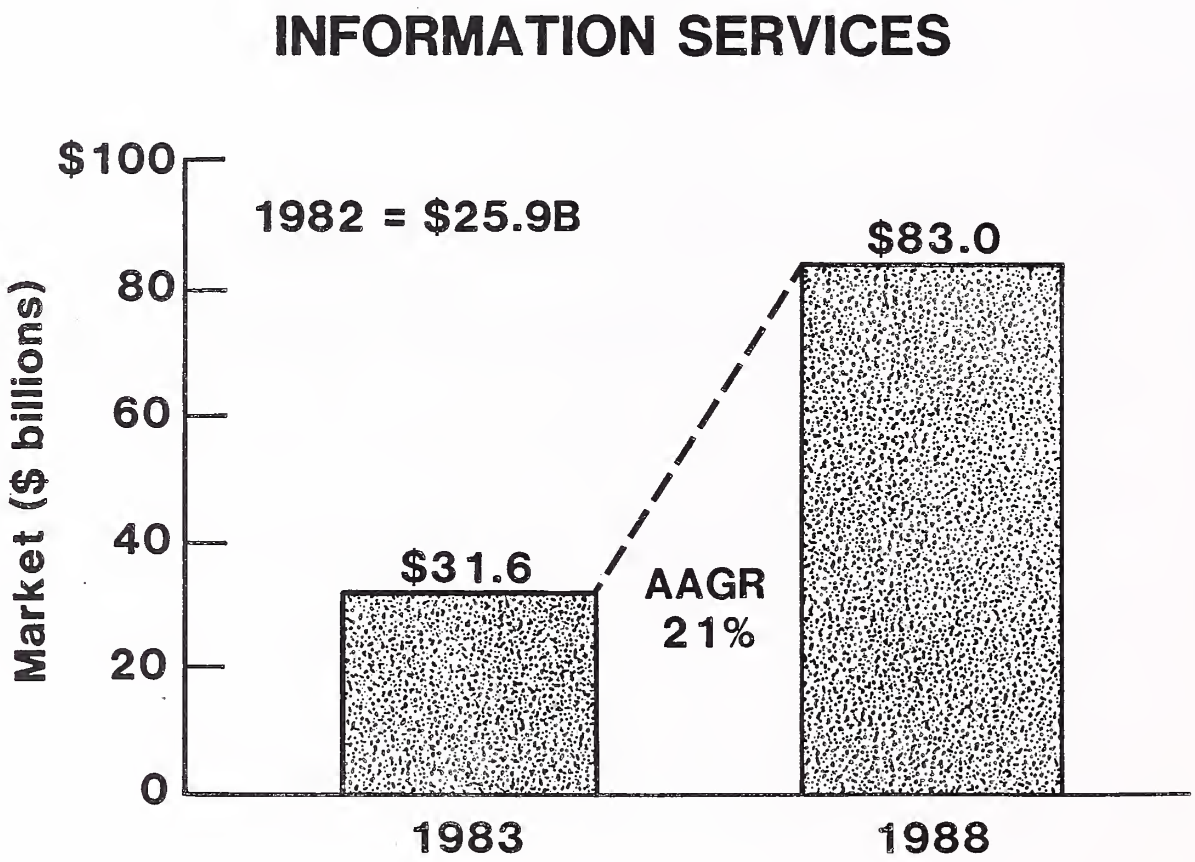
042



INPUT

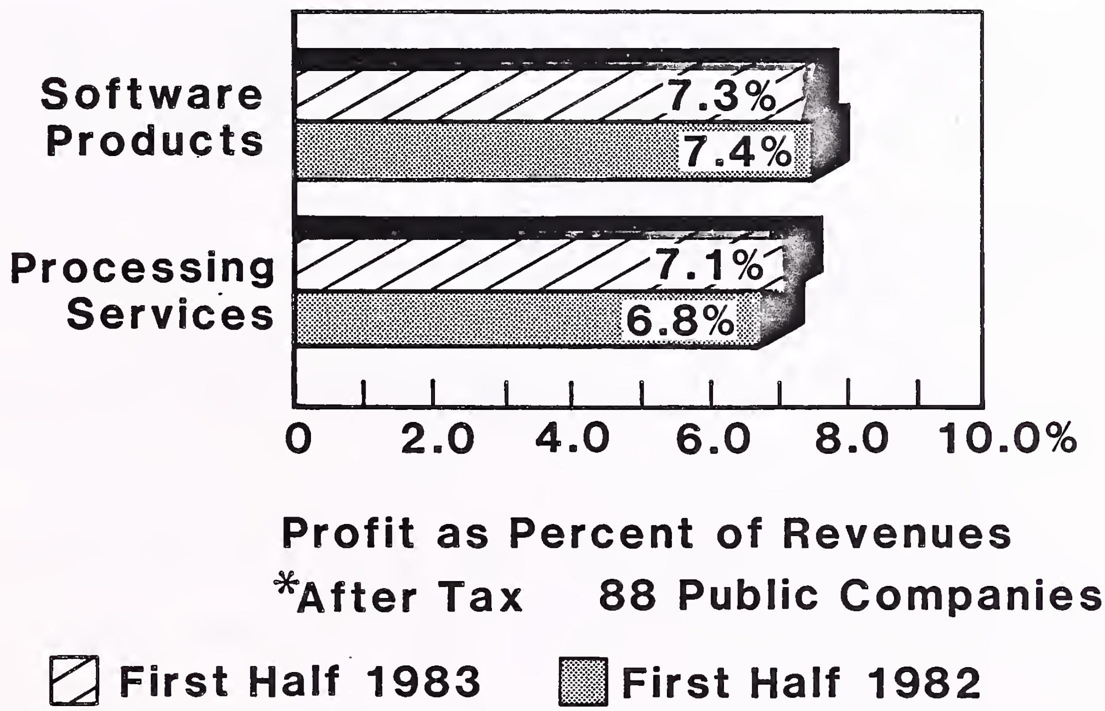
048MCP3


INFORMATION SERVICES
$100
80
60
40
20
0
Market ($ billions)
1982 = $25.9B
$83.0
$31.6
AAGR
21%
1983
1988

INPUT

044

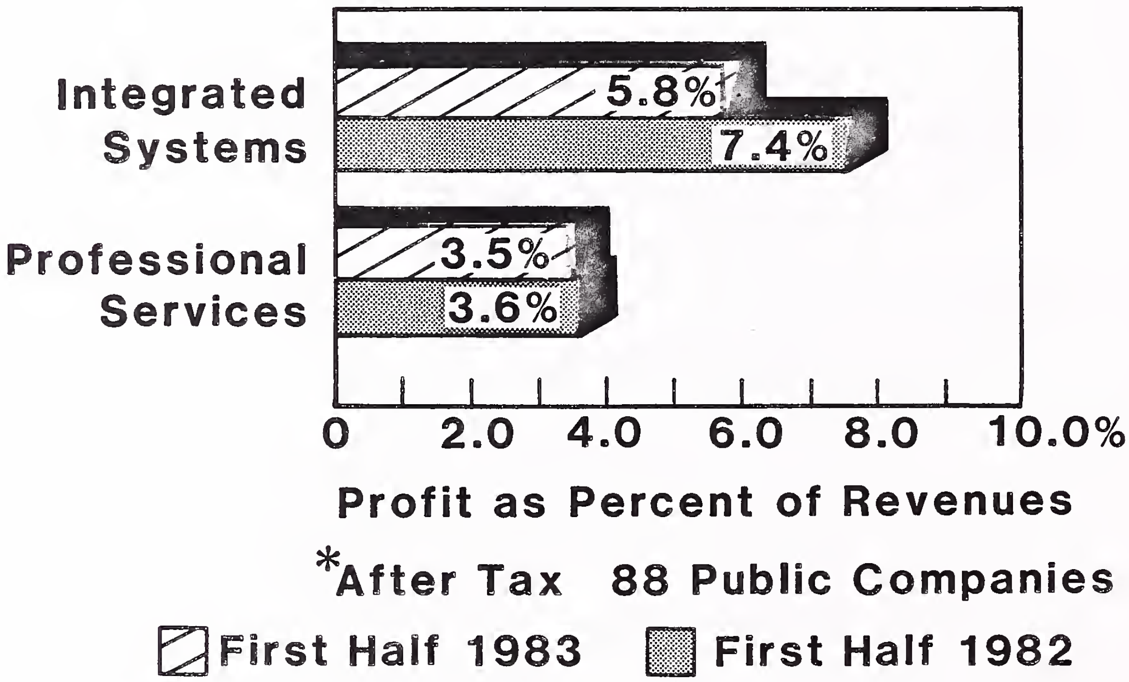
PROFIT*TRENDS



INPUT

43AMCP3

PROFIT*TRENDS

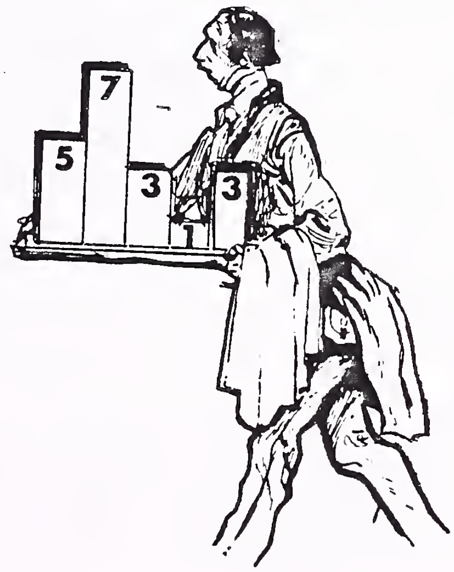


INPUT

43B

III. COMPETITIVE OVERVIEW

- Largest
- Fastest Growing
- Acquisitions, Disengagements



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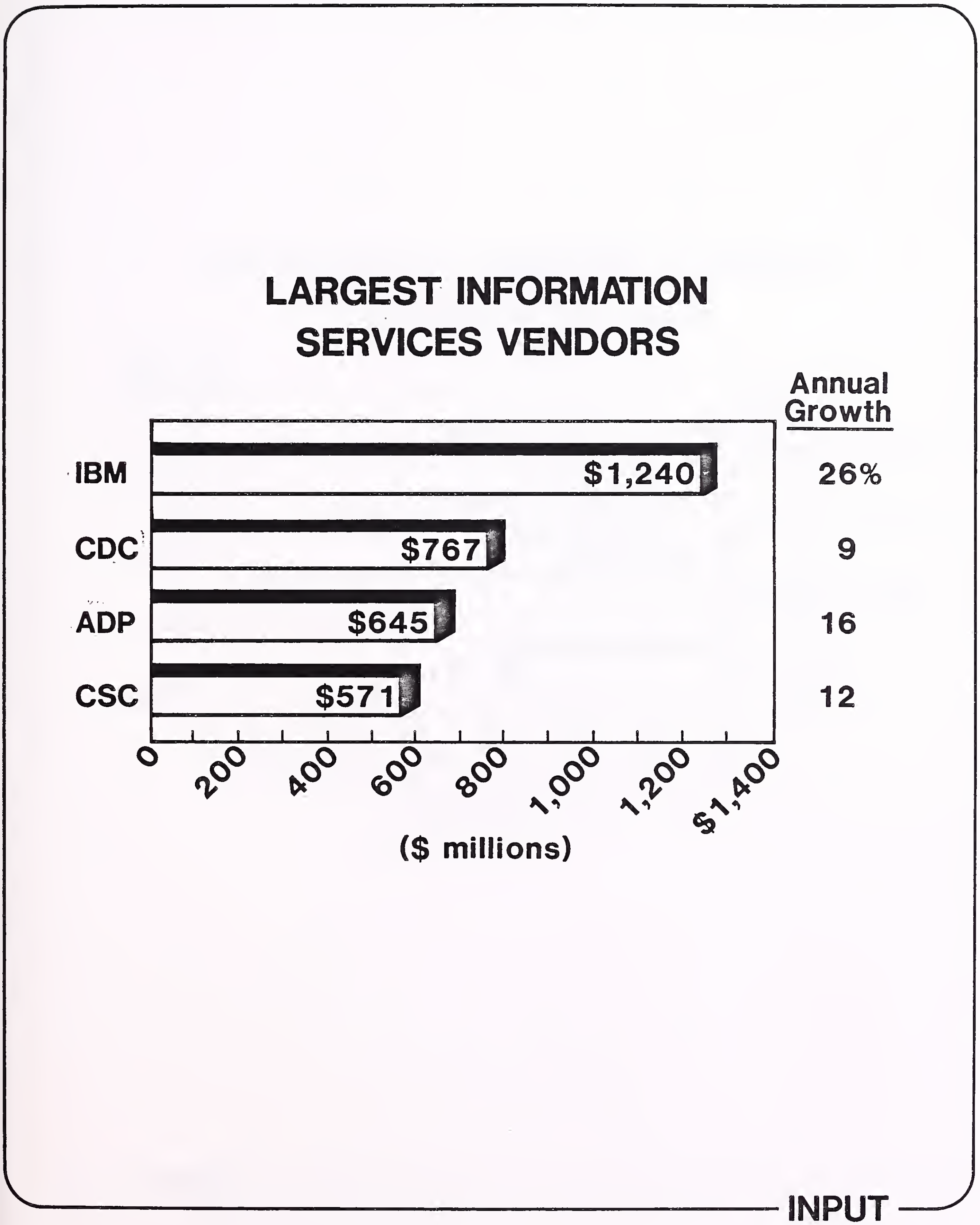
051MCP3

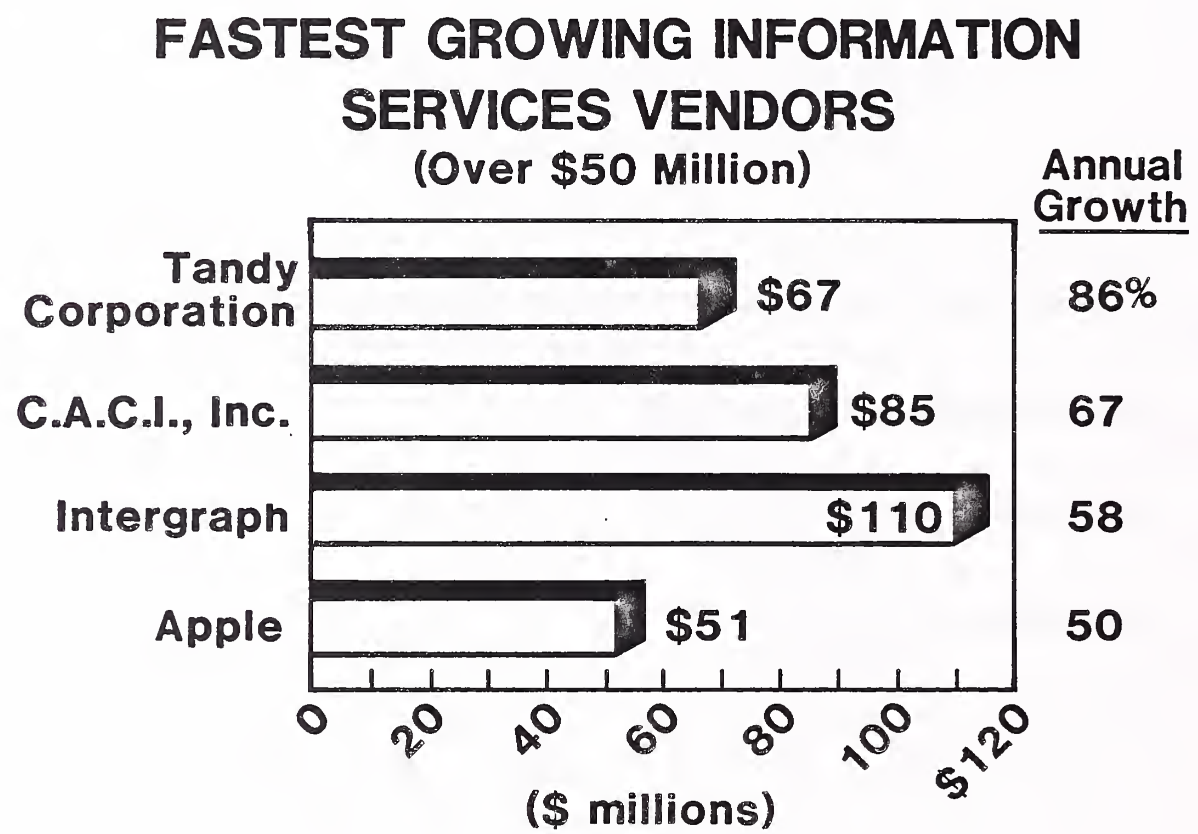
VENDOR DATA

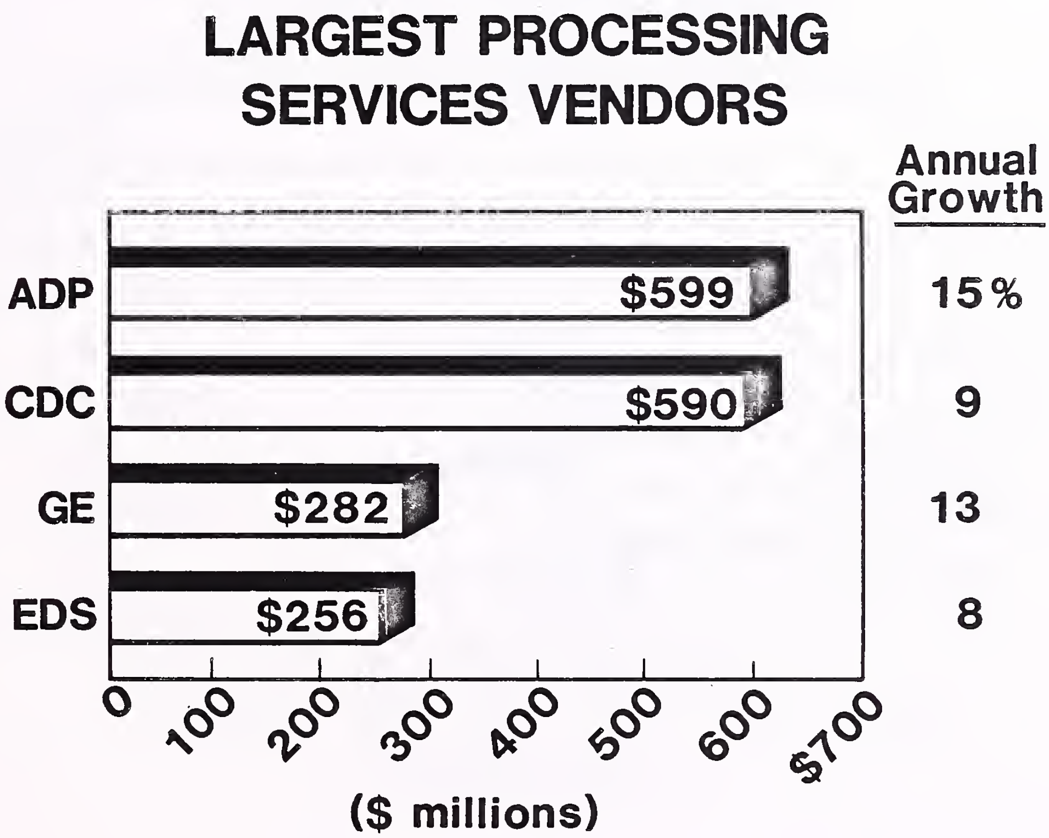
- 1982 Calendar Year
- U.S. Revenue
- Noncaptive

INPUT


LARGEST INFORMATION SERVICES VENDORS
Annual Growth
IBM
$1,240
26%
CDC
$767
9
ADP
$645
16
CSC
$571
12
0
200
400
600
800
1,000
1,200
$1,400
($ millions)
INPUT

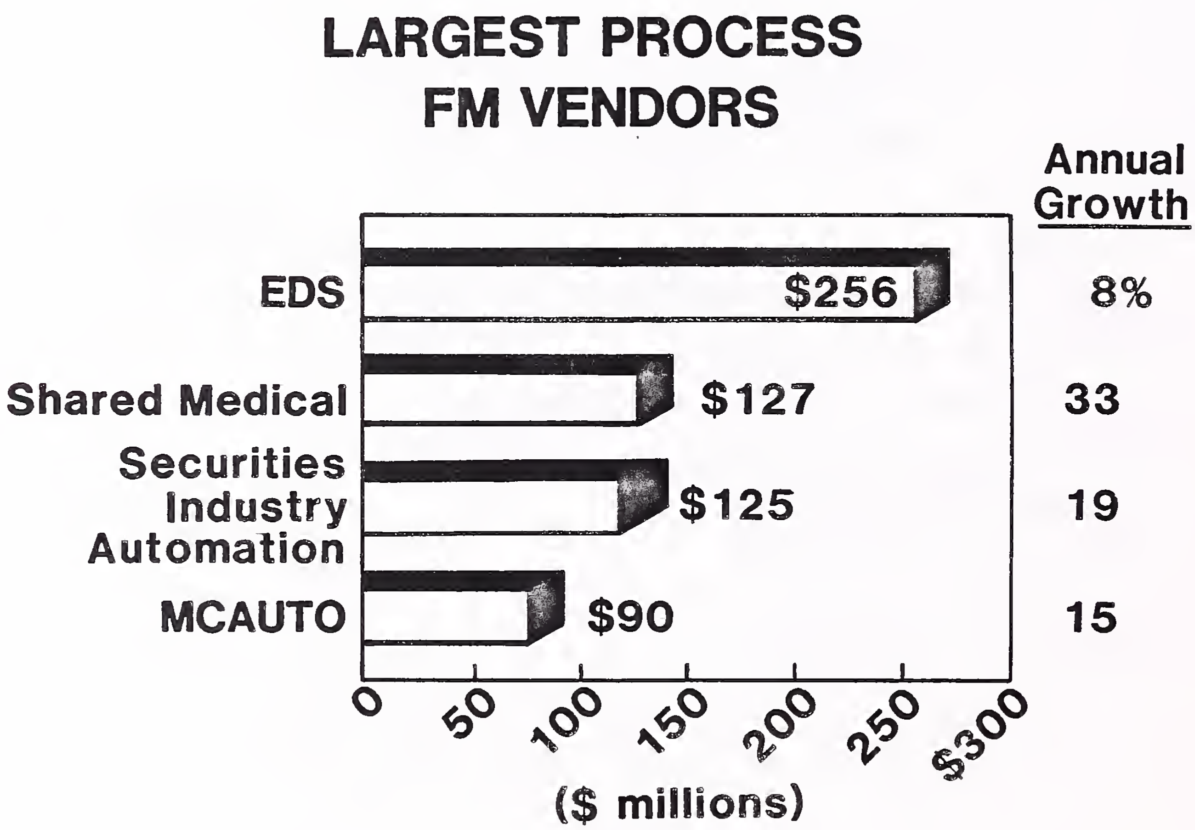
053MCP3


FASTEST GROWING INFORMATION
SERVICES VENDORS
(Over $50 Million)
Annual
Growth
Tandy
Corporation
$67
86%
C.A.C.I., Inc.
$85
67
Intergraph
$110
58
Apple
$51
50
0
20
40
60
80
100
$120
($ millions)



INPUT

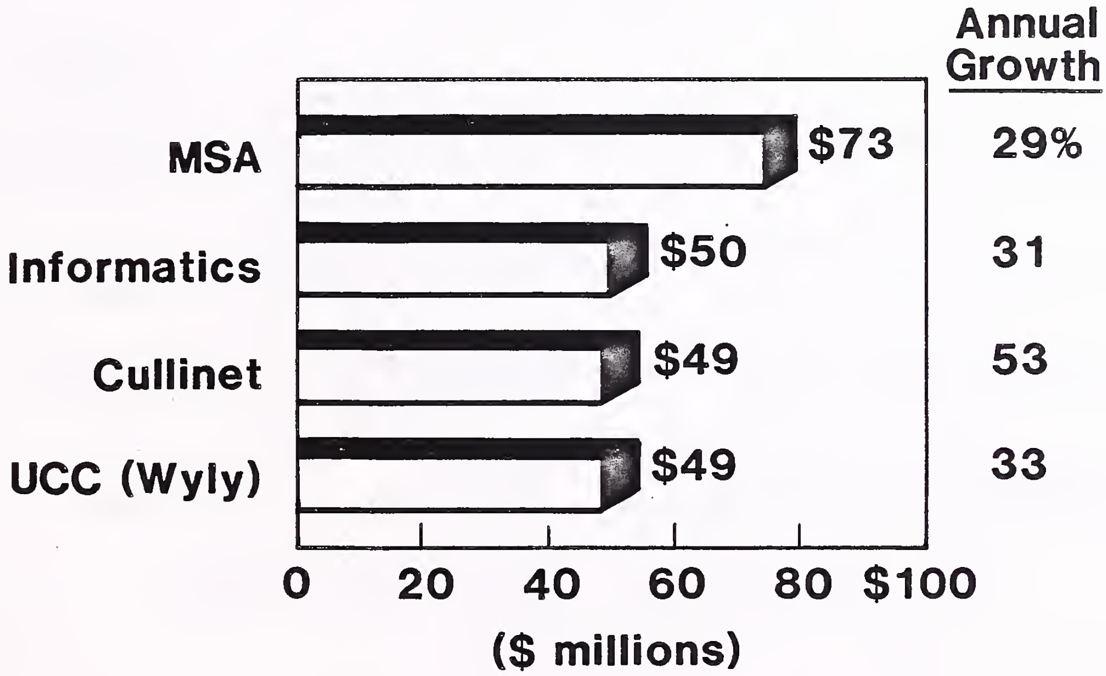
055MCP3


LARGEST PROCESS
FM VENDORS
Annual
Growth
EDS
$256
8%
Shared Medical
$127
33
Securities
Industry
Automation
$125
19
MCAUTO
$90
15
0
50
100
150
200
250
$300
($ millions)

INPUT

057

LARGEST INDEPENDENT SOFTWARE PRODUCT VENDORS

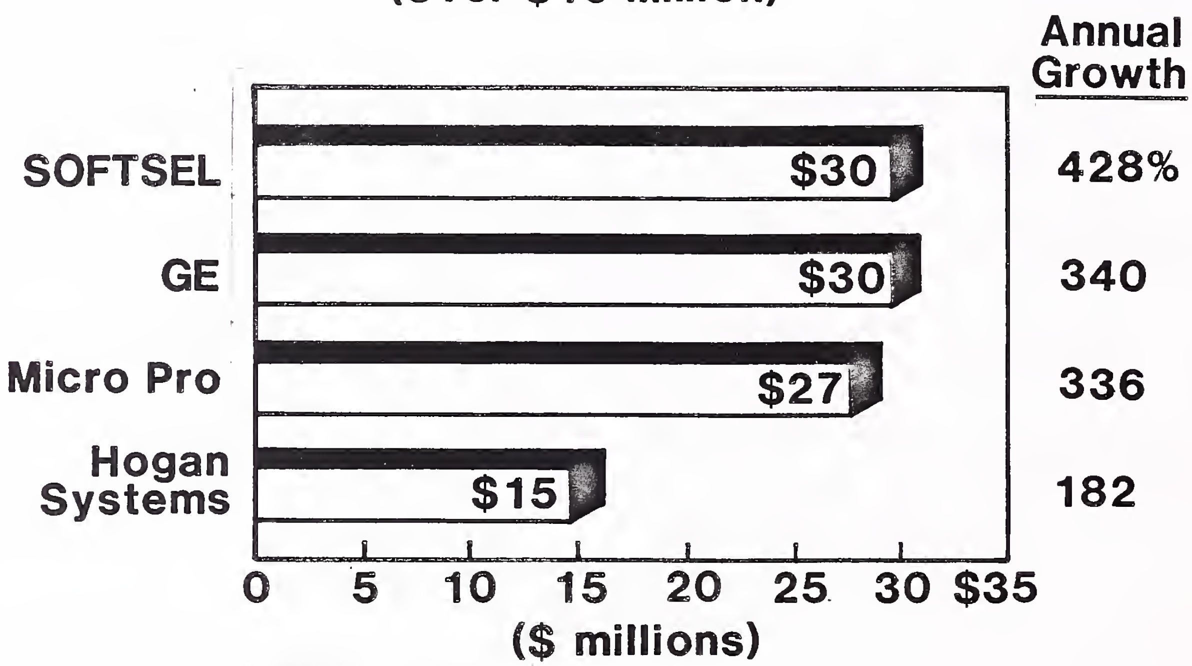


INPUT

058MCP3

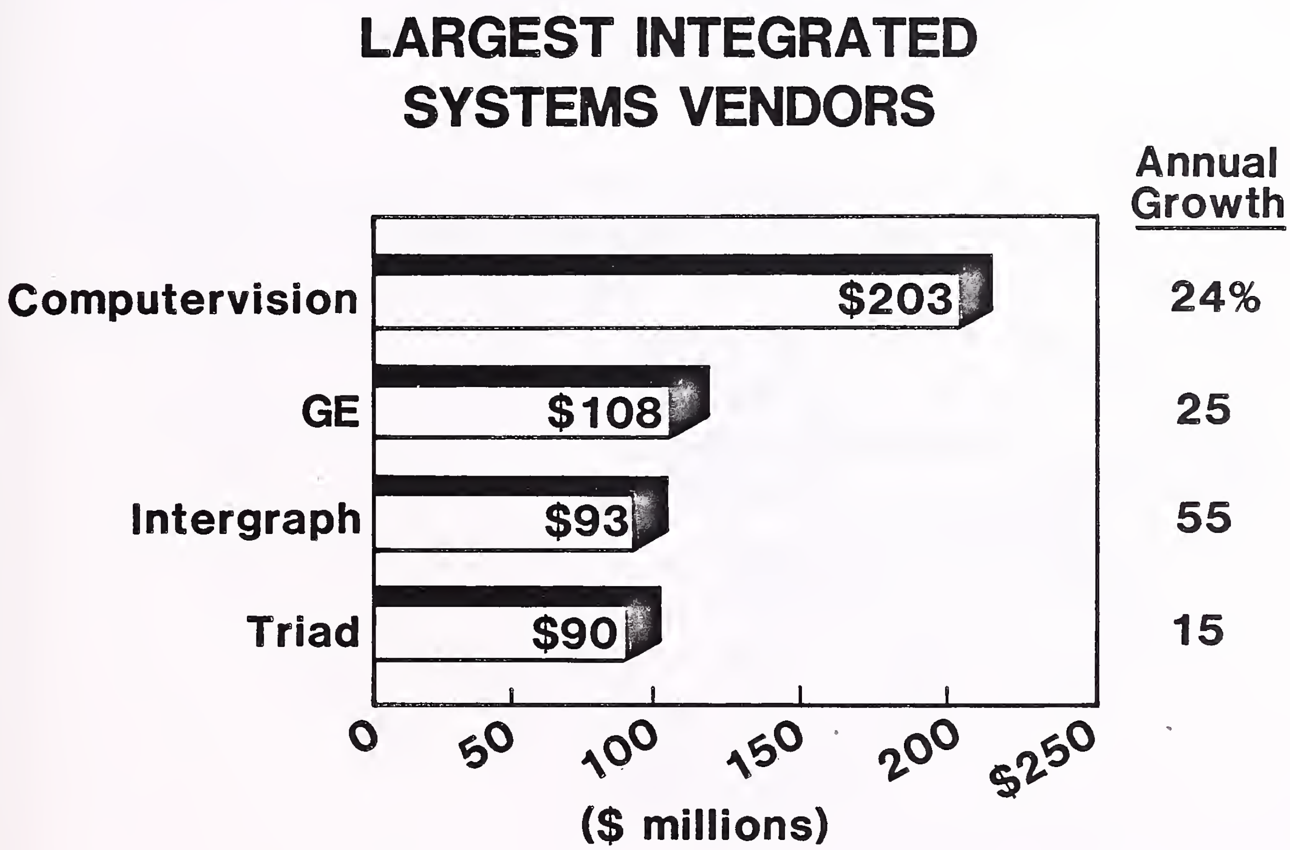
FASTEST-GROWING SOFTWARE PRODUCTS VENDORS

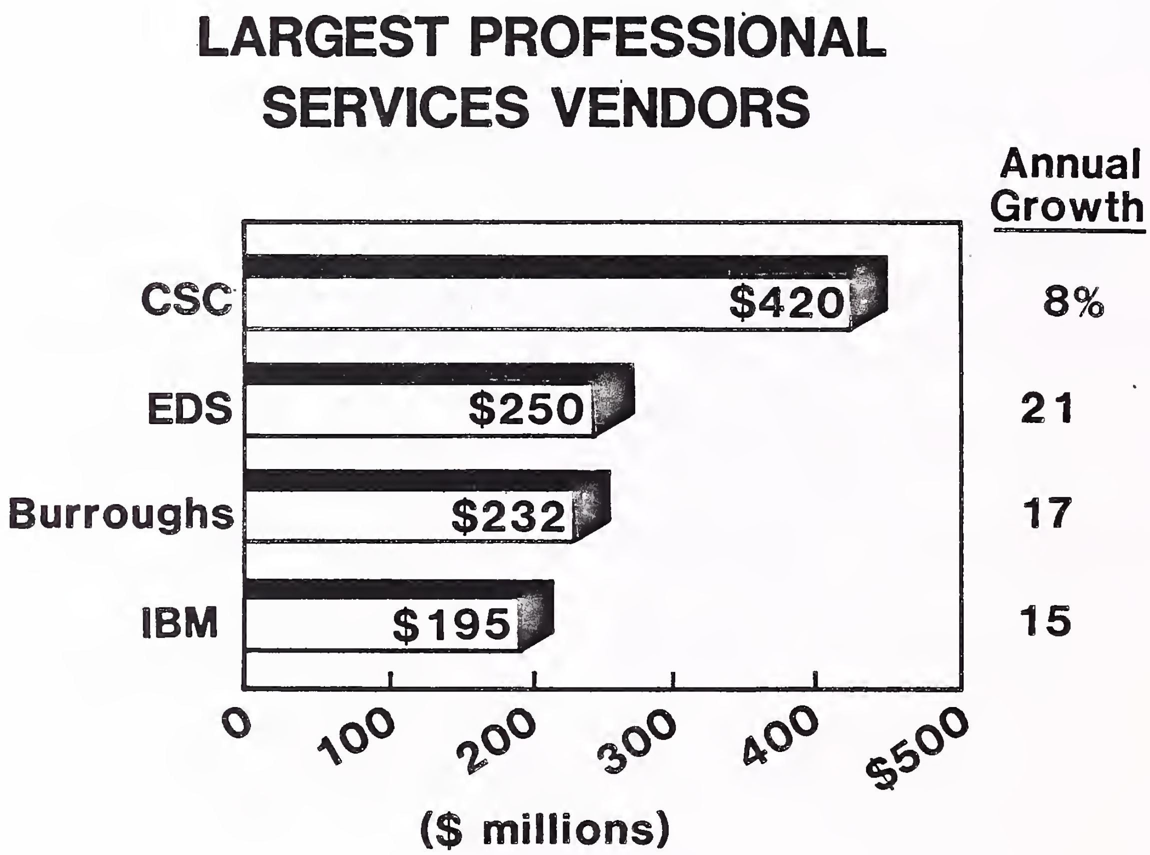
(Over $10 Million)



INPUT

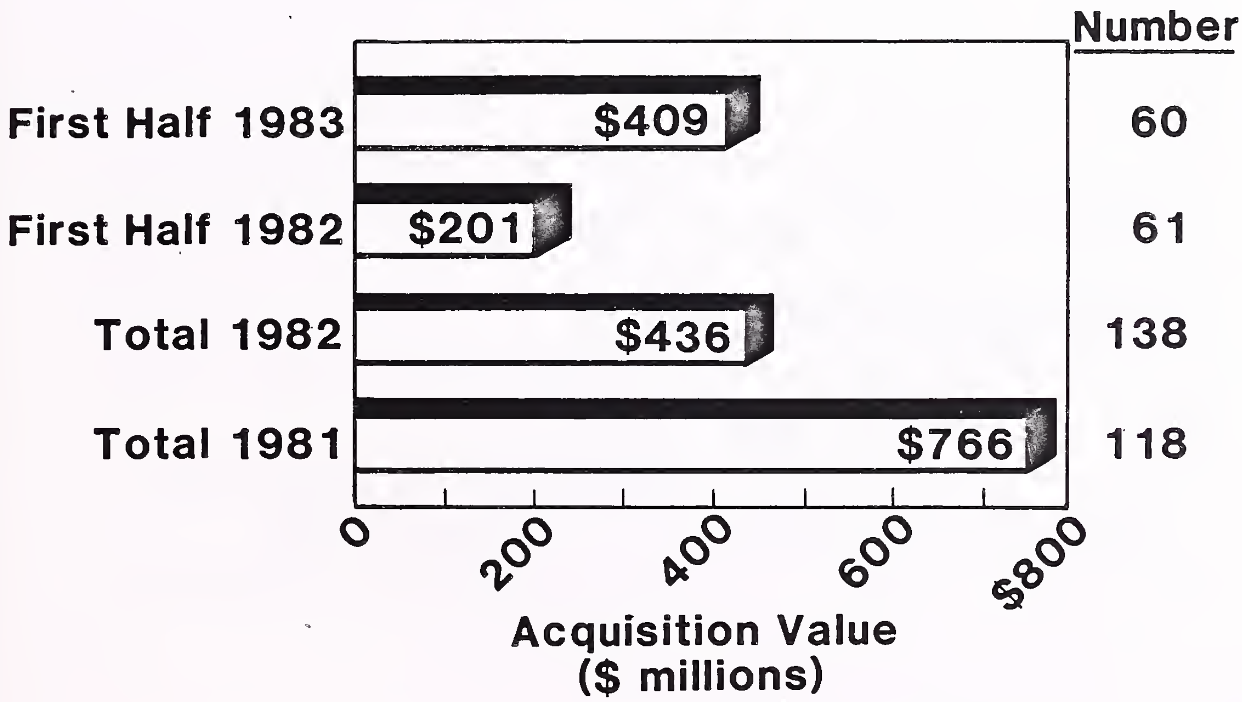
059


LARGEST INTEGRATED
SYSTEMS VENDORS
Annual Growth
Computervision
$203
24%
GE
$108
25
Intergraph
$93
55
Triad
$90
15
0
50
100
150
200
$250
($ millions)


LARGEST PROFESSIONAL SERVICES VENDORS
Annual Growth
CSC
$420
8%
EDS
$250
21
Burroughs
$232
17
IBM
$195
15
0
100
200
300
400
$500
($ millions)

INPUT

ACQUISITION ACTIVITY



SOURCE: Broadview Associates

INPUT

062MCP3

ACQUISITIONS

Acquirer	Acquired
Dun & Bradstreet	McCormack & Dodge
Martin Marietta Data Systems	Mathematica
Scientific Software	Intercomp Development & Engineering

INPUT

06:

ACQUISITIONS

Acquirer	Acquired
ADP	GTE Telenet Services
AGS	Micro America Distributing
Computer Associates	IUS

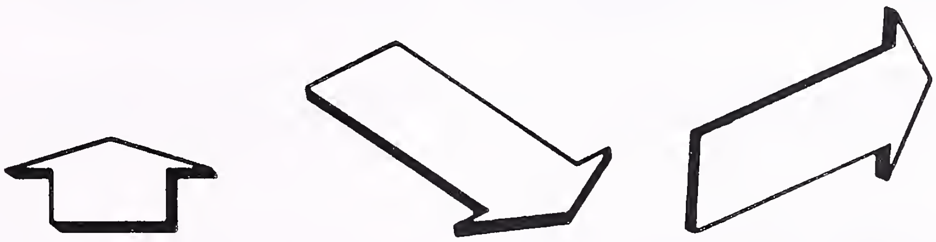
INPUT

DISENGAGEMENTS

Disengaged By	Disengaged Unit	Sold To
Chase Manhattan Bank	Managistics, Inc.	Bank of America
ADP	CPI, Inc.	Continental Corp.
American General	NLT Computer Services	Management Group

INPUT

065



INDUSTRY TRENDS

- I.S. Manager's Perspective
- Hardware
- Software
- Telecommunications
- Implications for People

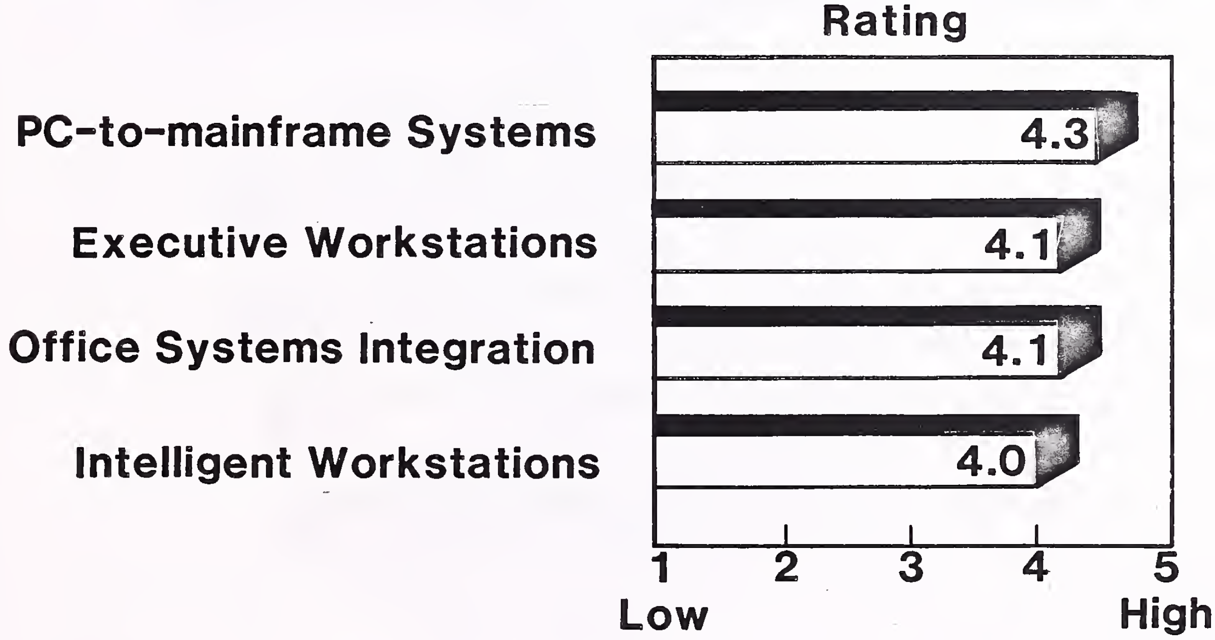
TOP CONCERNS OF I.S. MANAGERS

Top Problems	Top Objectives
1. Software	1. Software
2. Personnel	2. Hardware
3. User Relations	3. Personnel

INPUT

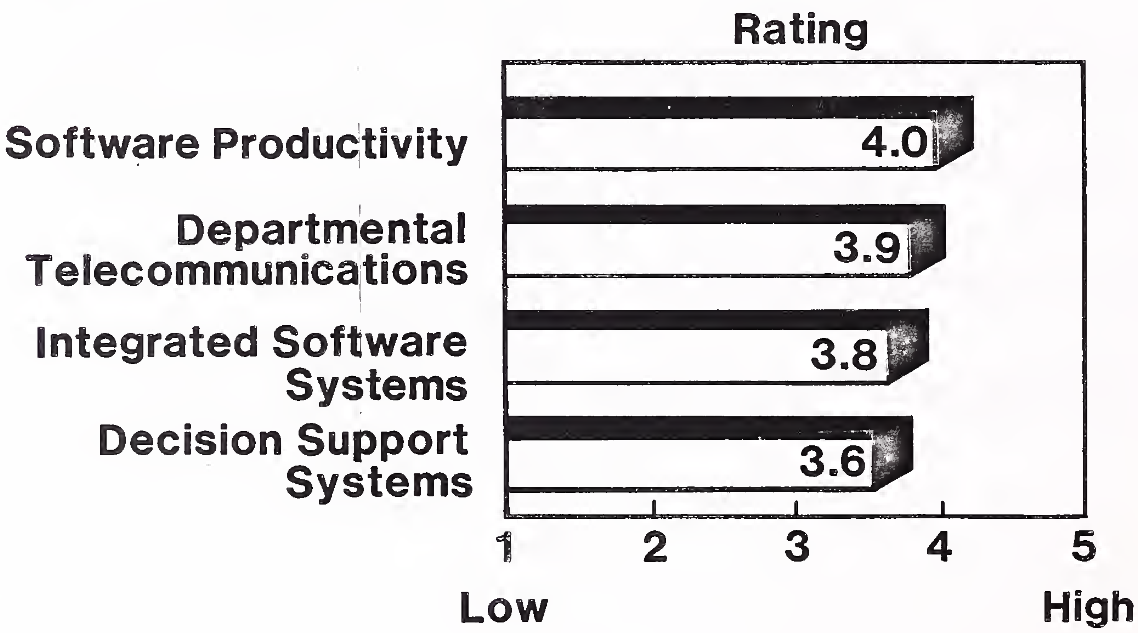
067

HIGH-INTEREST AREAS OF LARGE-COMPANY I.S. EXECUTIVES



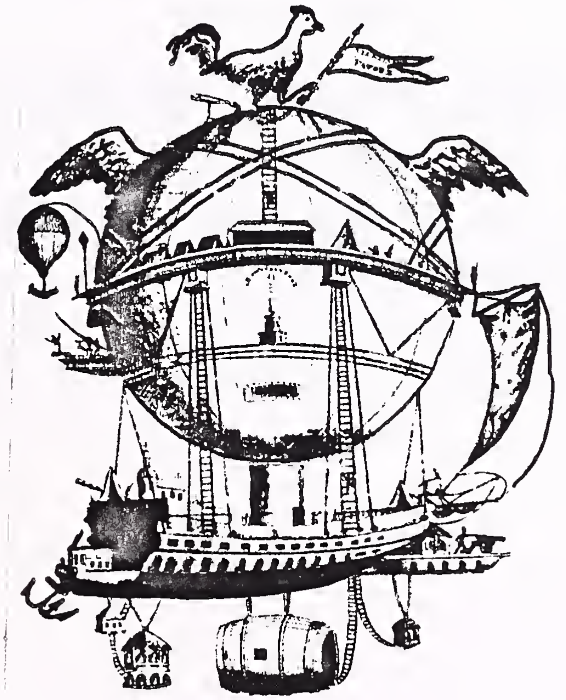
INPUT

HIGH-INTEREST AREAS OF LARGE-COMPANY I.S. EXECUTIVES



INPUT

HARDWARE



INPUT

MID-80s CENTRAL COMPUTERS

- Will Concentrate On:
  - Large Shared Data Bases
  - Data Archiving and Retrieval
  - Large Transaction-driven Data Capture
- Will Decline in Price 10% Annually

INPUT

071

MID-80s END-USER COMPUTERS

- A $5,000 "370/158" will sit on one square foot of your desk.

INPUT

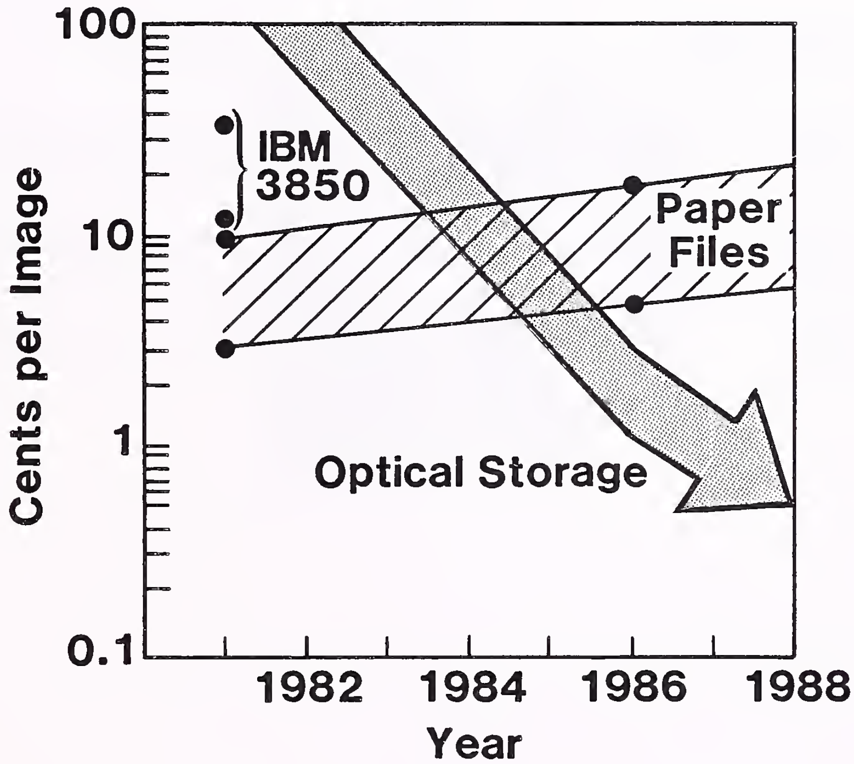
WORKSTATIONS

- More Integration
  - PCs
  - Telephone
  - Voice/Data/Text/Graphics
  - Local Area Network
- IBM/Rolm = Stronger Voice Commitment

INPUT

074M

OPTICAL STORAGE TO BECOME 10 TIMES CHEAPER THAN PAPER



INPUT

075MCP3

SOFTWARE

INPUT

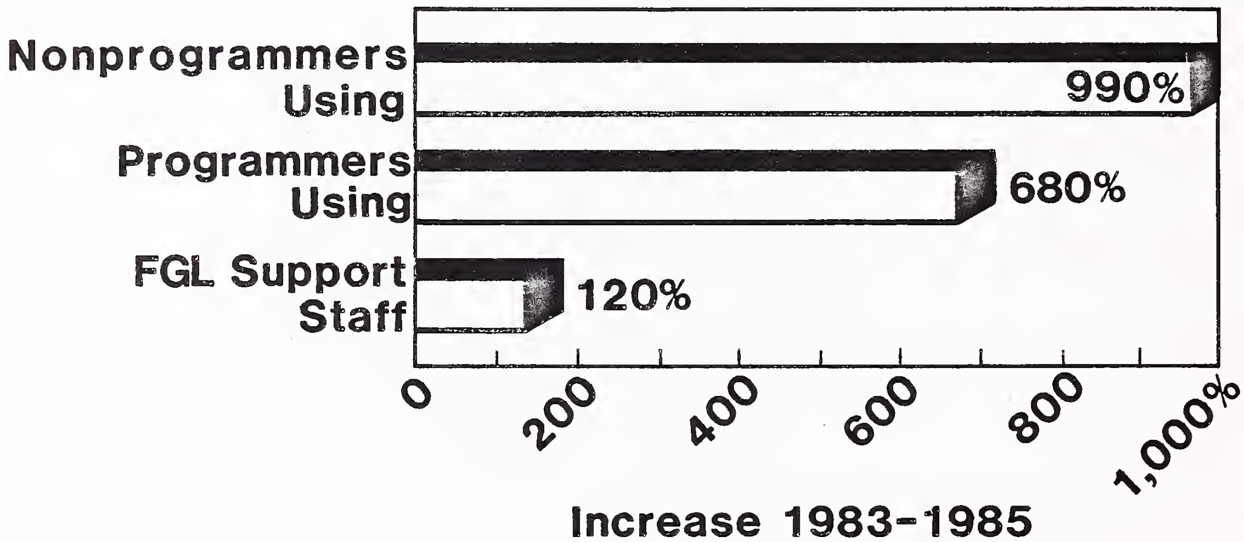
FOURTH GENERATION LANGUAGE CONVERSION TARGETS

Characteristic	Importance
User Willing to Assume Responsibility	High
Constantly Changing User Needs	High
Defined User System Ownership	High

INPUT

084MCP3B

EXPECTED INCREASES IN FOURTH GENERATION LANGUAGE USE



INPUT

084

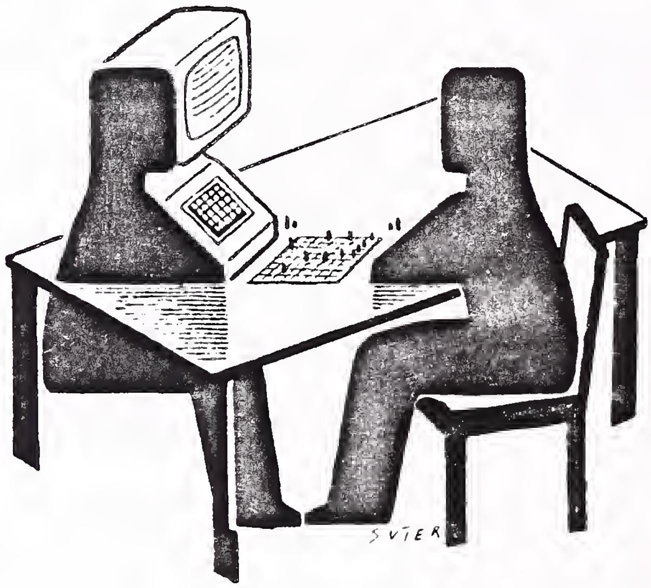
DESIGN FOR RISING USER EXPECTATIONS

- Comprehensive Integration
- Windowing
- Better Ergonomics
  - Icons, Help Functions
  - Grows with User
  - Response: 0.1 Second

INPUT

EXPERT SYSTEMS GAINING COMMERCIAL ACCEPTANCE

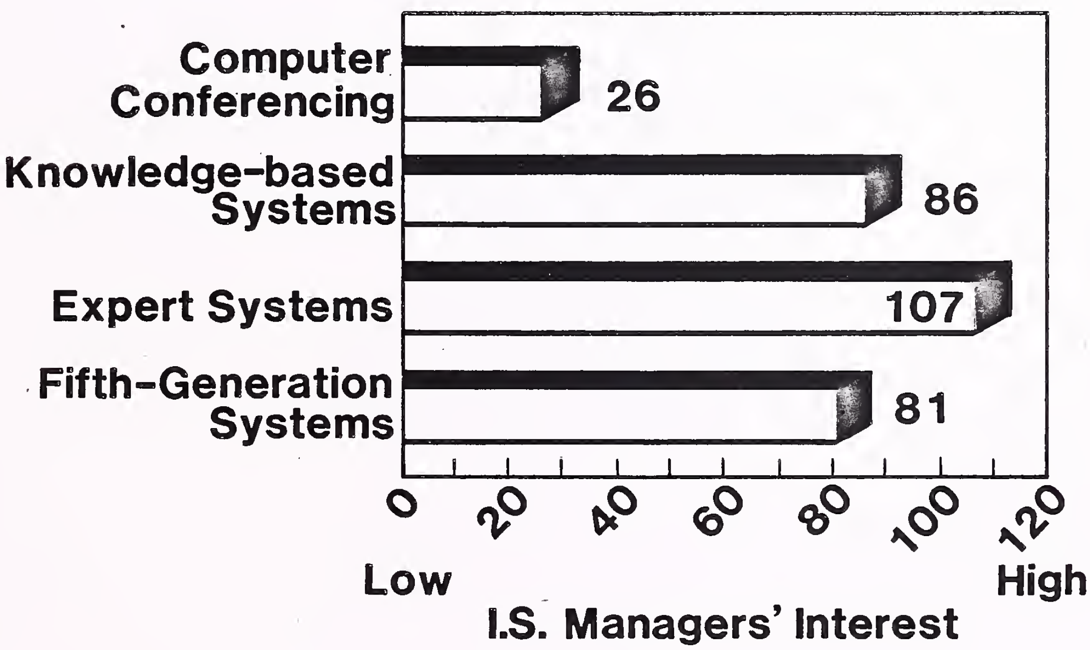
- Medicine
- Law
- Business



INPUT

08

INTEREST IN NEW OFFICE TECHNOLOGIES



INPUT

126MCP3

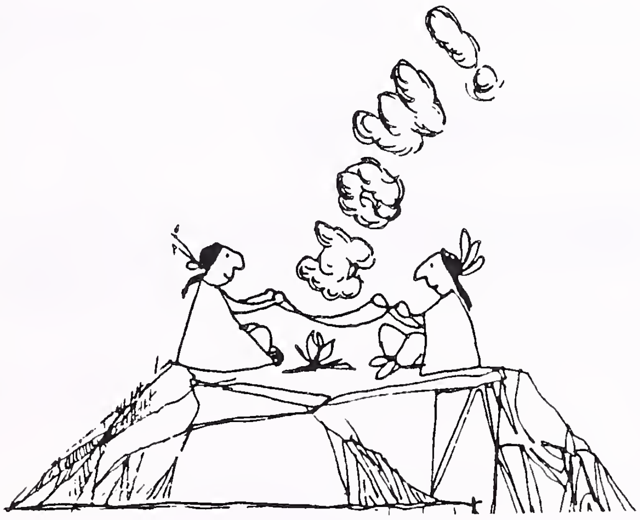
SOFTWARE RECOMMENDATIONS

- Upgrade Current Products with . . .
  - DBMS
  - Fourth Generation Languages
  - Friendlier User Interfaces

INPUT

087

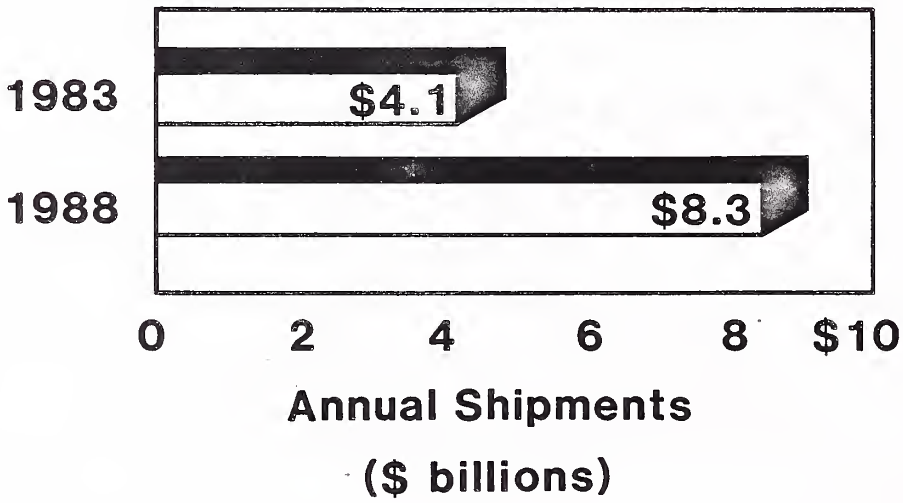
TELECOMMUNICATIONS



INPUT

TELECOMMUNICATIONS TRENDS

- Equipment Shipments to Double



INPUT

089N

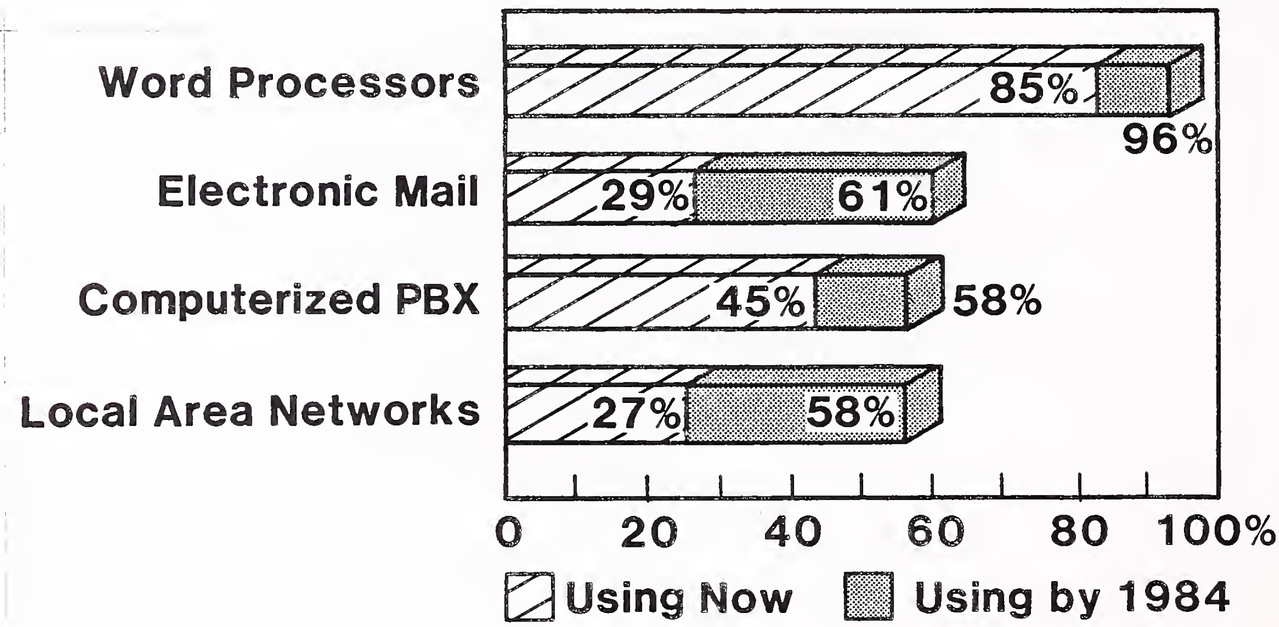
TELECOMMUNICATIONS TRENDS

- Rapid Growth for:
  - Private Networks
  - LANs
- High-speed Voice and Data Integration

INPUT

90MCP3A

MORE TELECOMMUNICATIONS-BASED APPLICATIONS



INPUT

090M

IMPACT OF AT&T BREAKUP

- Radically Different Environment
- Rate Hikes
- Usage-based Pricing

INPUT

IMPACT OF AT&T BREAKUP

- Emergence of Multiple Leased Line Suppliers
- More Bypass Vendors
- Competition in Your Business

INPUT

IMPACT OF AT&T BREAKUP ON I.S. MANAGERS

- Must Do More Network Managing, Planning
- Evaluate More Vendor Options
- Must Reassess Current Network Cost Effectiveness
- More Interest in Technology Directions

INPUT

093MCP3

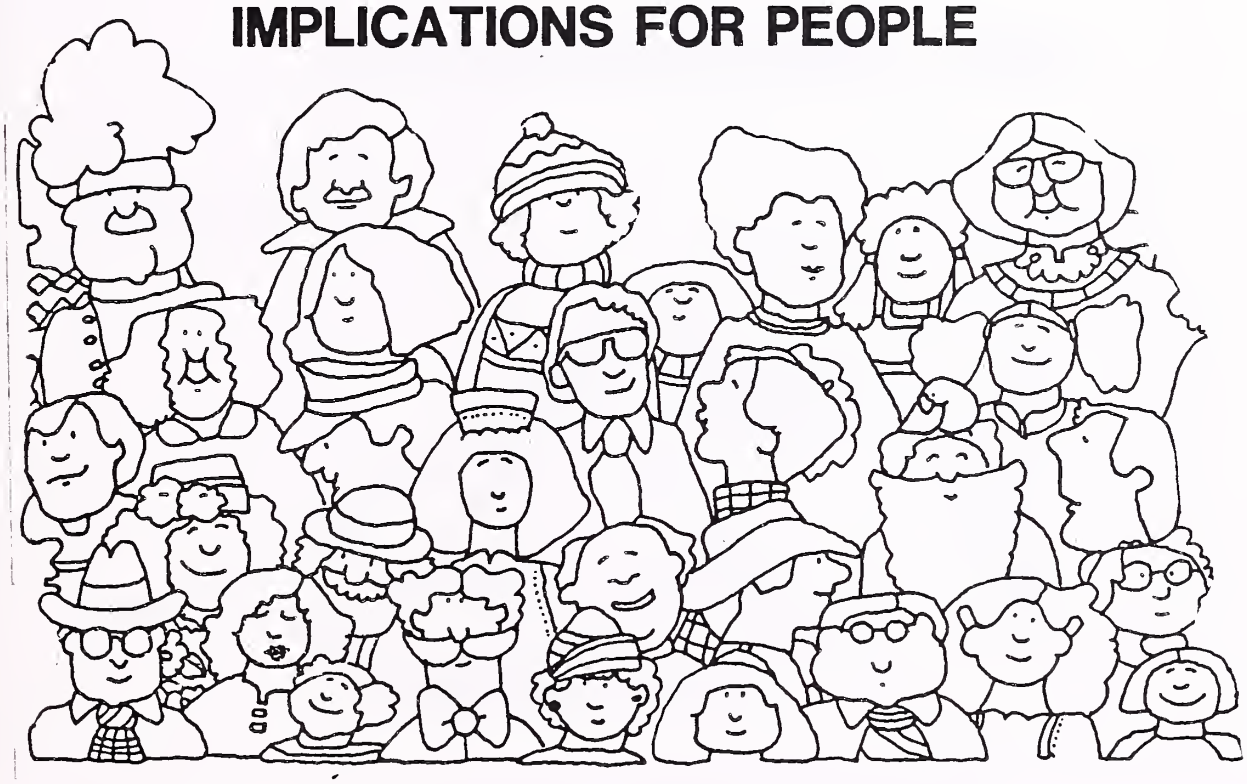
IMPACT OF AT&T BREAKUP: VENDOR IMPLICATIONS

- Cost Savings Appeal
- Higher Demand For:
  - Error-free Services
  - Network Software (Gateways, Protocol Converters)
  - Network Management Consulting

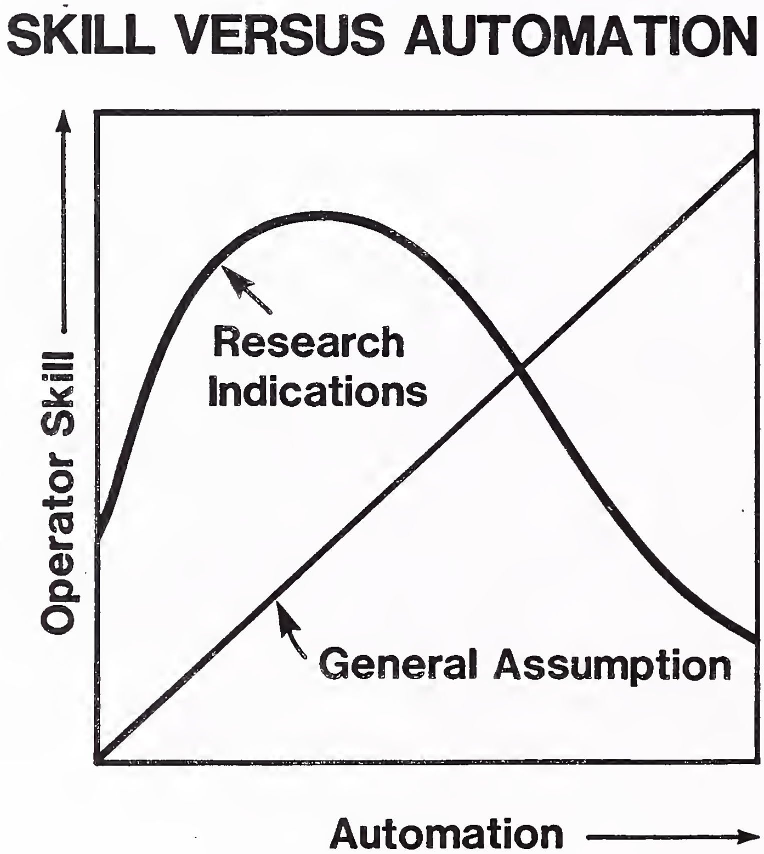
INPUT

094N

IMPLICATIONS FOR PEOPLE

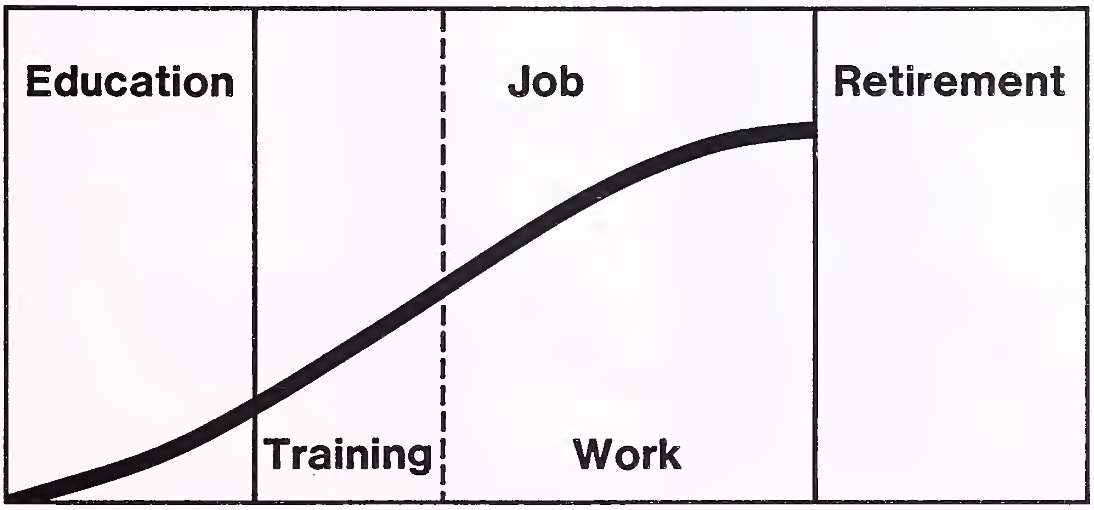


INPUT

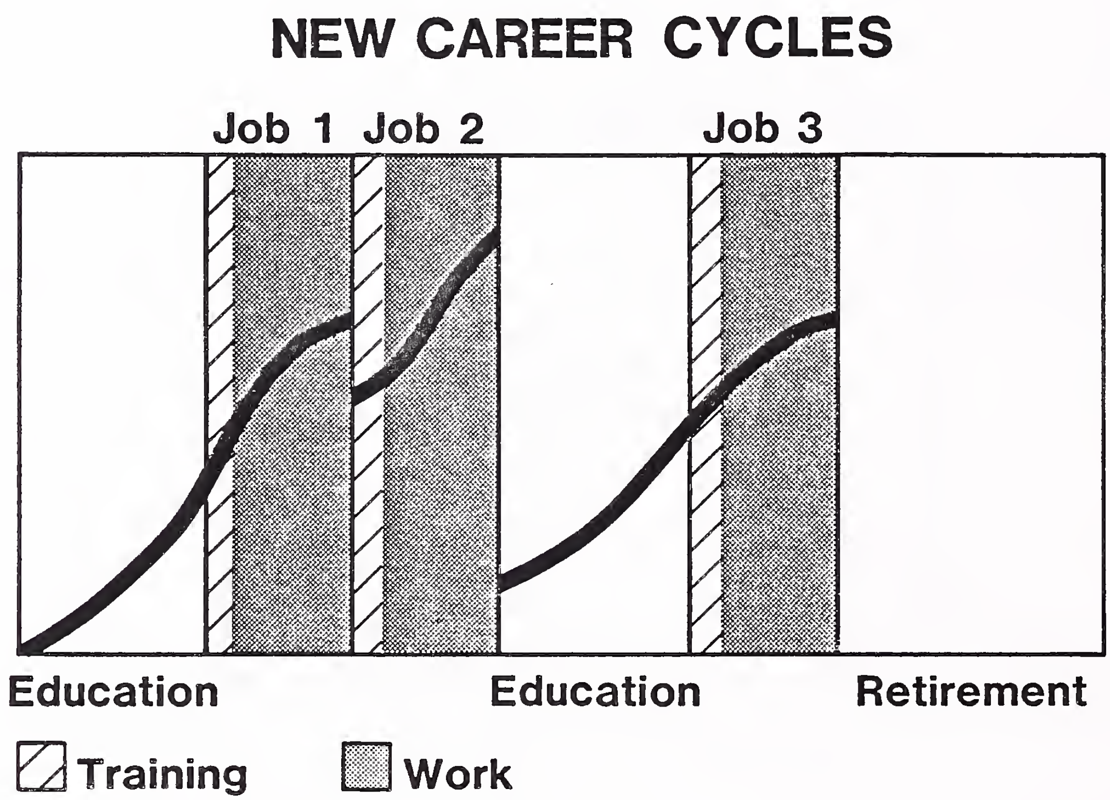

SKILL VERSUS AUTOMATION
Operator Skill
Research Indications
General Assumption
Automation

INPUT

OLD CAREER CYCLES

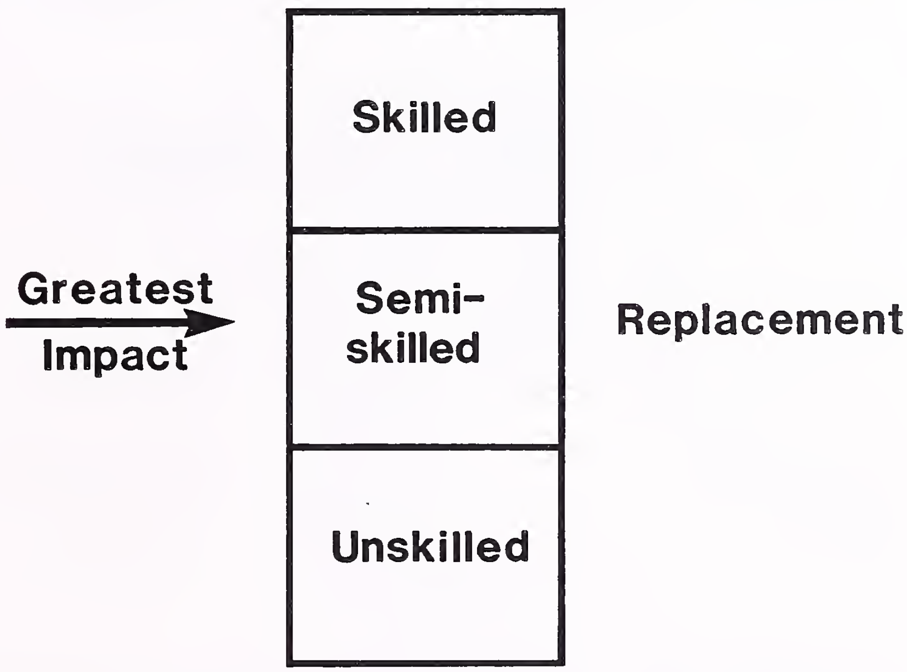


INPUT


NEW CAREER CYCLES
Job 1
Job 2
Job 3
Education
Education
Retirement
Training
Work

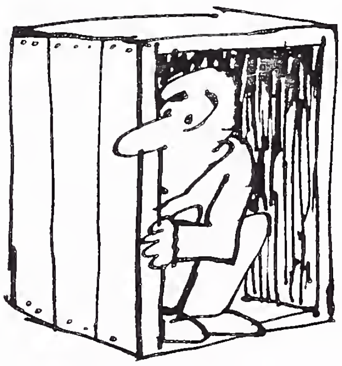
INPUT

WORKFORCE IMPACT



INPUT

REVOLUTION IN END-USER COMPUTING

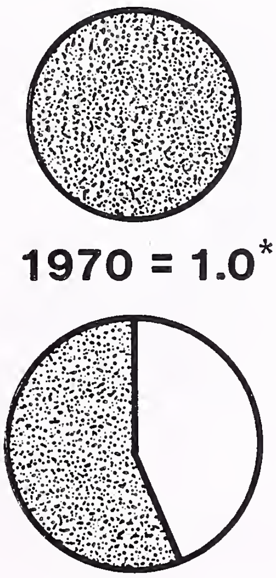


- Scope
- Information Centers
- Personal Computers
- Office Systems

INPUT

100

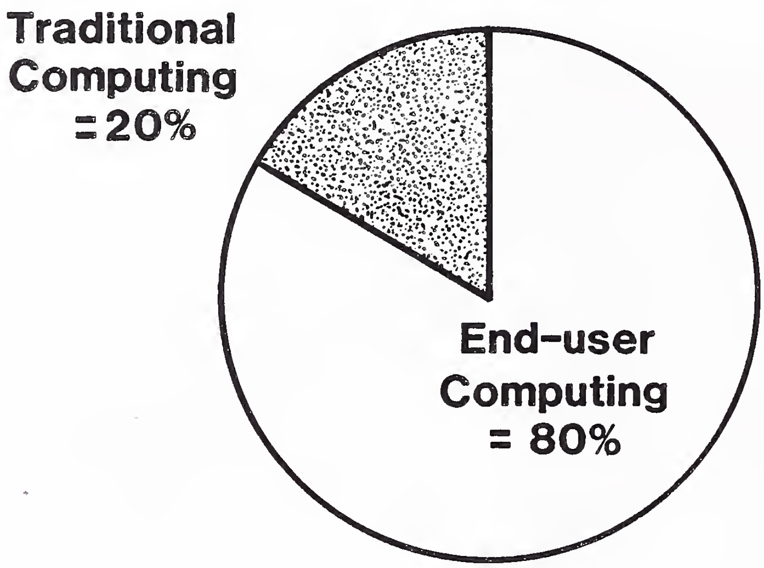
CHANGES IN COMPUTING FOCUS



*Relative processing power, with 1970 = 1

INPUT

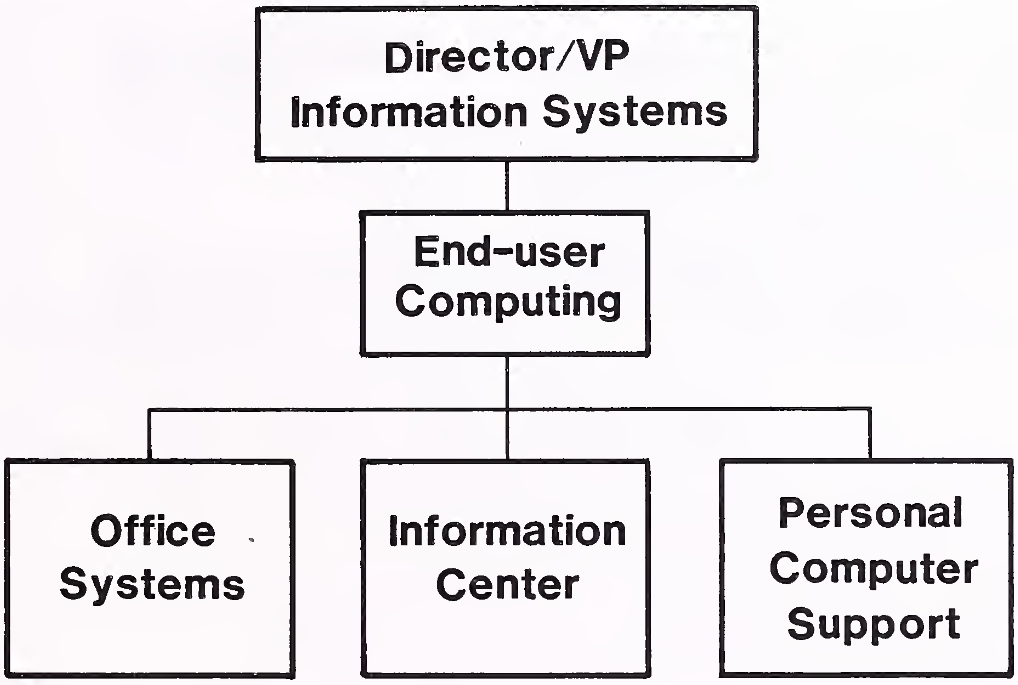
CHANGES IN COMPUTING FOCUS



1990 = 160.0
Relative processing power, with 1970 = 1

INPUT

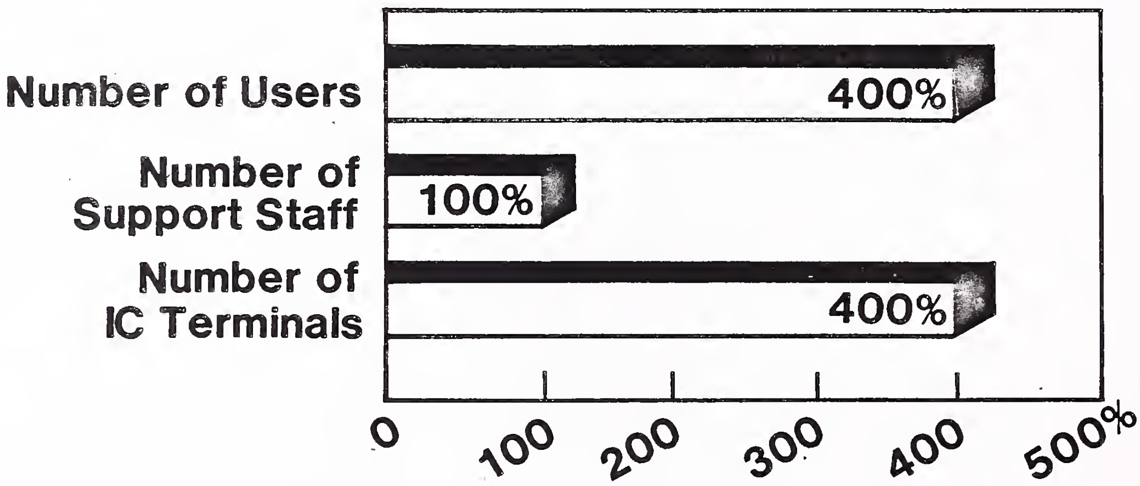
"END-USER COMPUTING" ORGANIZATION



INPUT

103MCP3

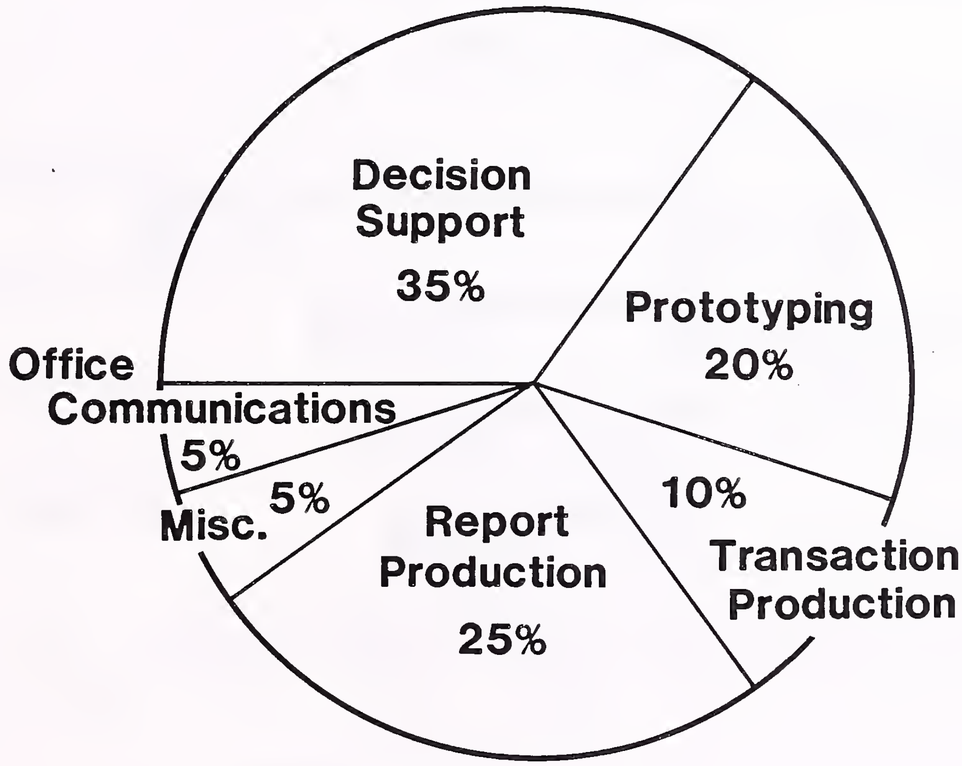
INFORMATION CENTER GROWTH, 1983-1985



INPUT

104I

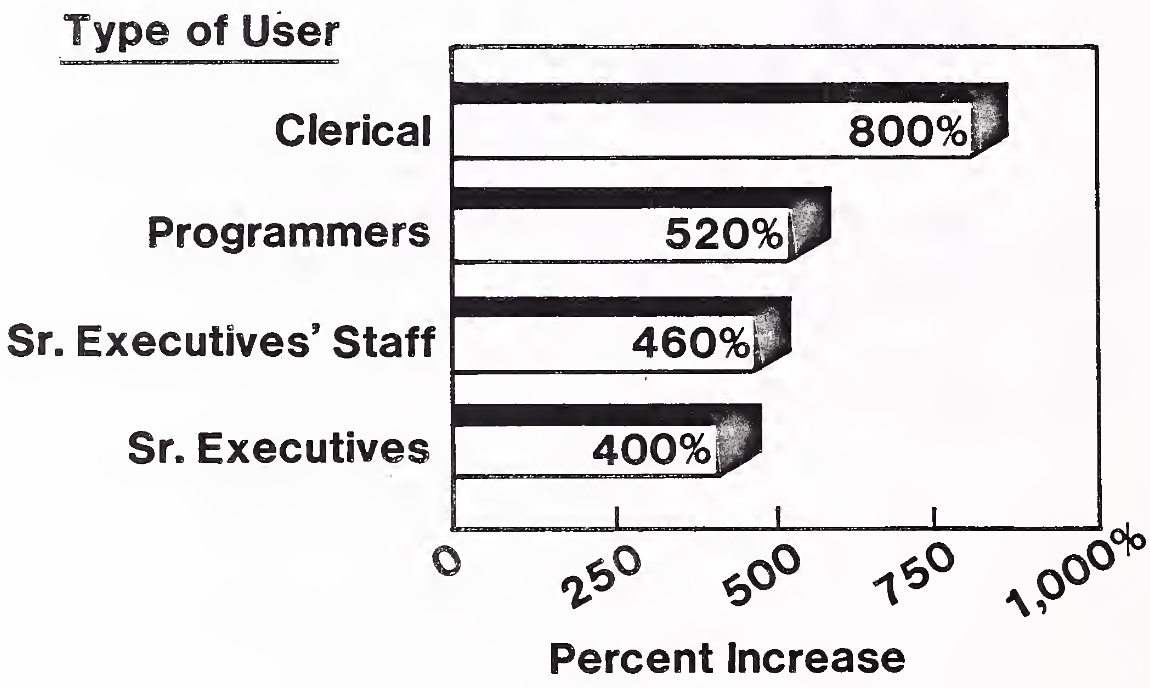
TYPICAL INFORMATION CENTER APPLICATIONS



INPUT

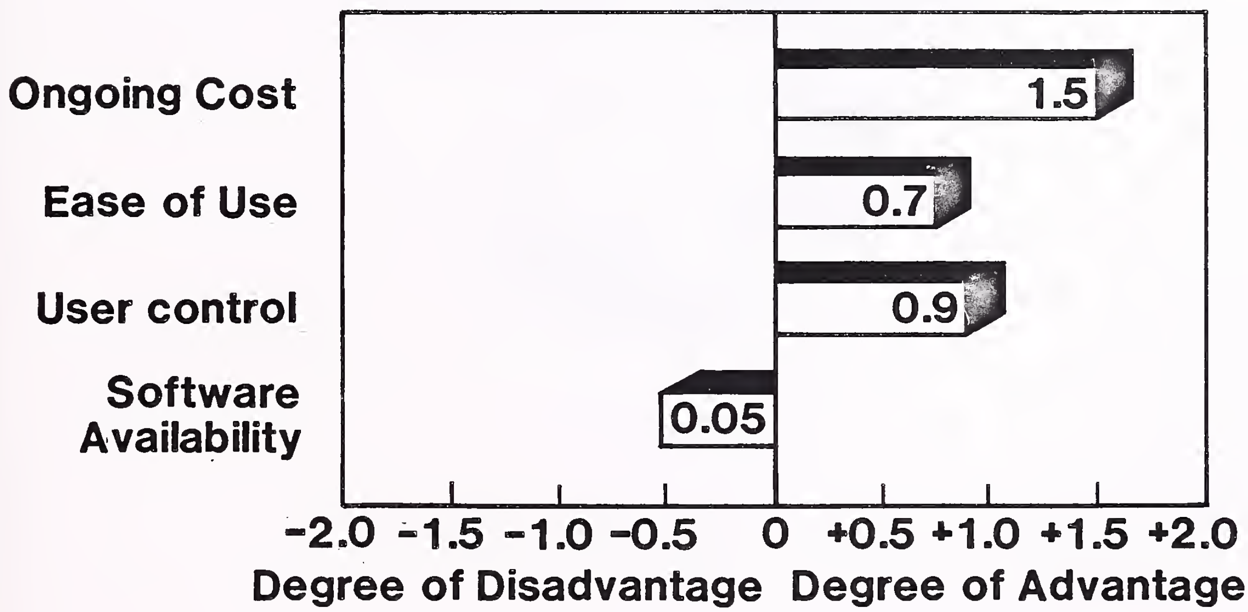
105MCP3

INCREASE IN TYPE OF INFORMATION CENTER USER, 1983-1985



INPUT

THE INFORMATION CENTER COMPARED TO RCS



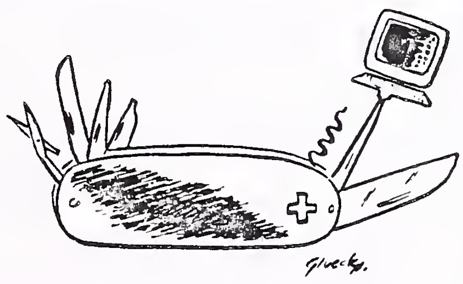
INPUT

107MCP3

INFORMATION CENTER OPPORTUNITIES

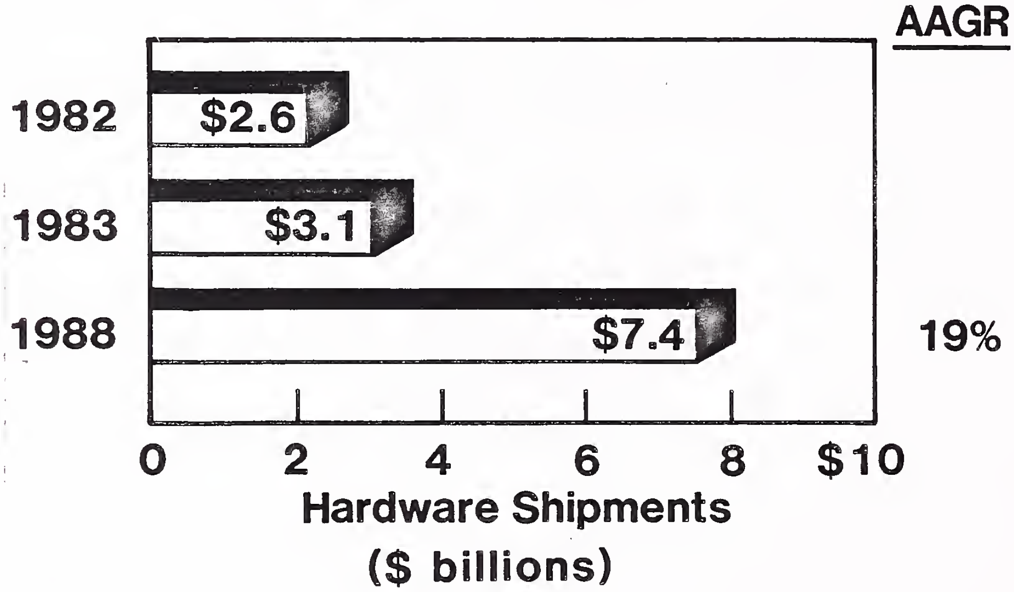
- RCS Entry to I.S. Manager
- Support and Training
- Software

PERSONAL COMPUTERS

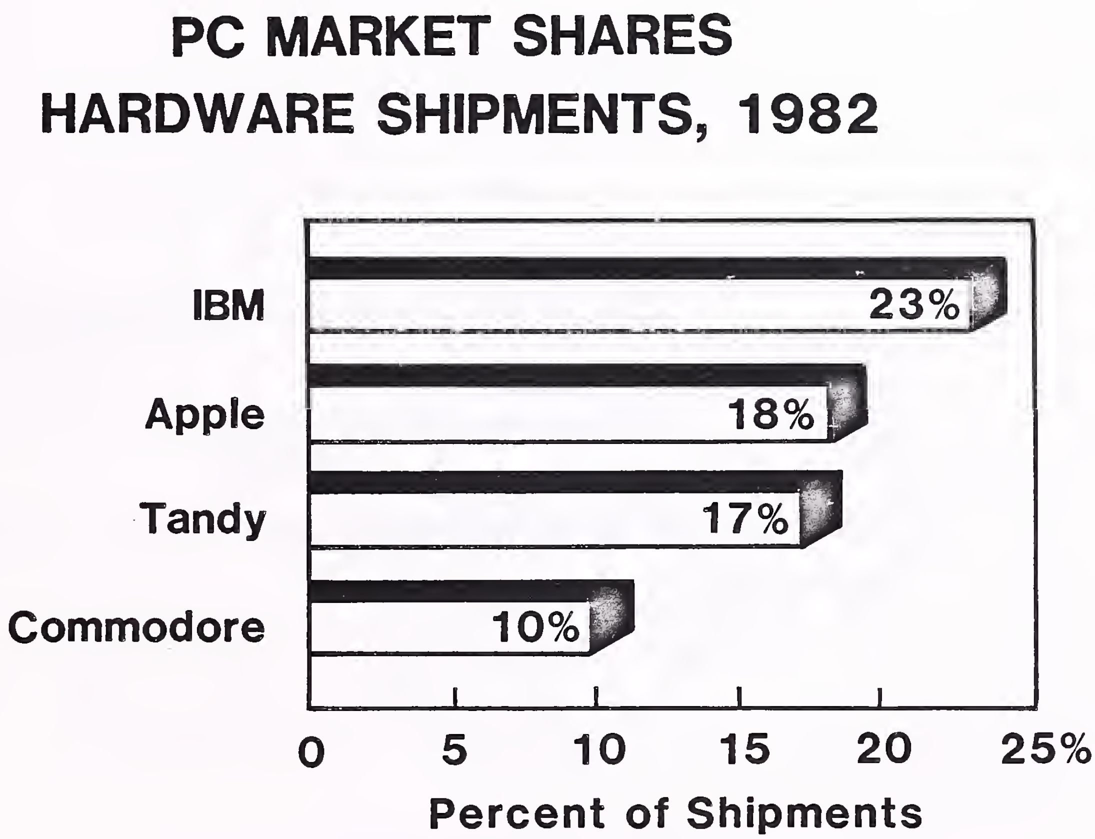


INPUT

PERSONAL COMPUTER FORECAST
(Business Usage)



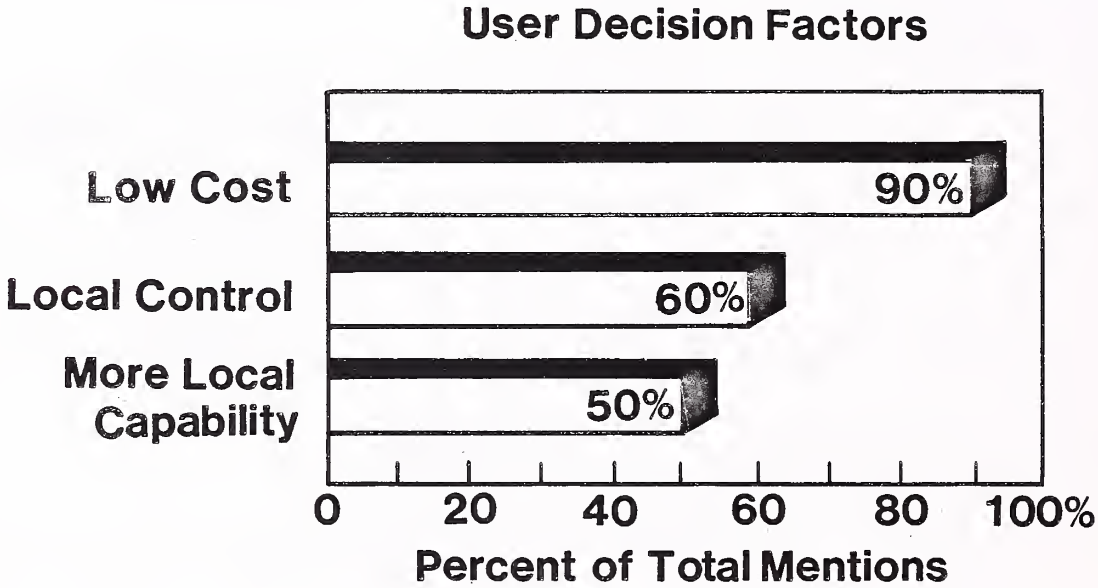
INPUT



INPUT

111MCP3

WHY PCs?

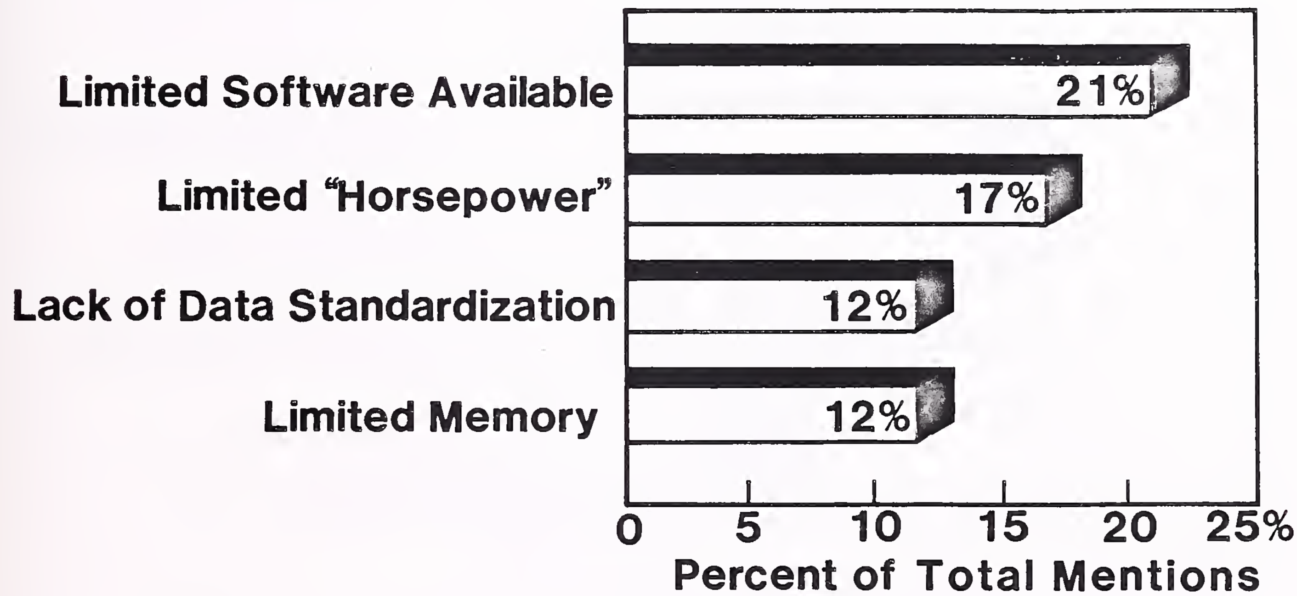


- Sound Familiar?

INPUT

112

SHORTCOMINGS OF PCs



INPUT

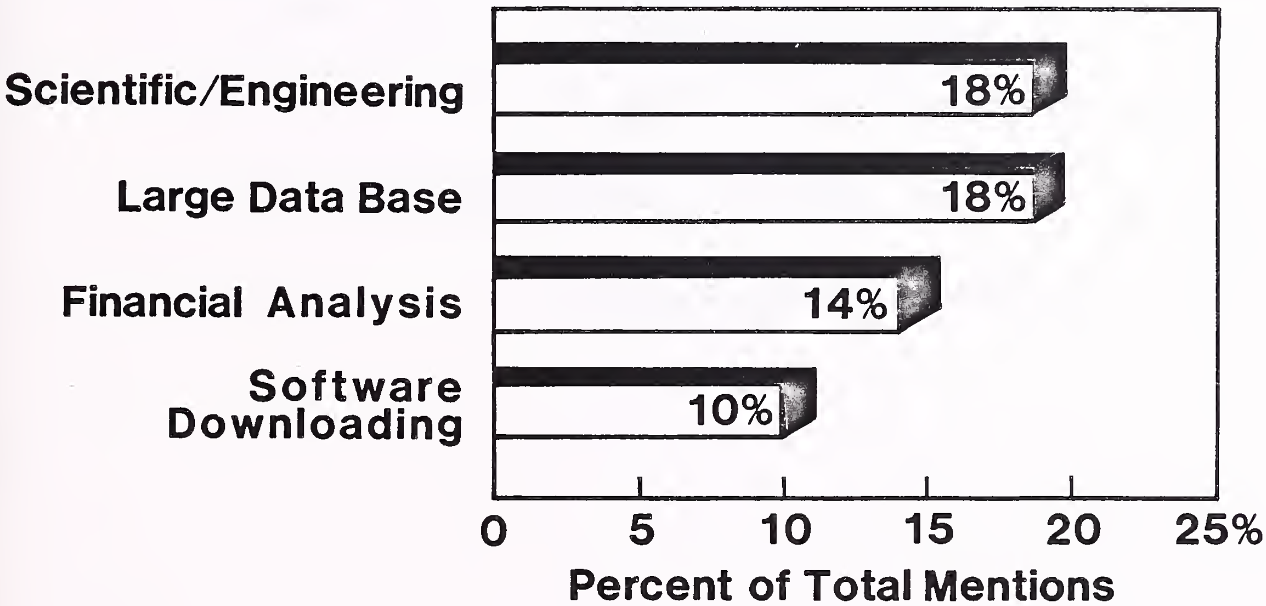
114MCP3

PC HARDWARE TRENDS
(Business Usage)

- 20% Annual Price Decline
- More:
  - Interconnections
  - Multi-user Systems
  - Fixed Disk Storage
  - Quality Printers
- Evolving to Small Business Systems

INPUT

APPLICATION CHARACTERISTICS DESIRED BUT CONSIDERED INFEASIBLE ON PCs



INPUT

PC SOFTWARE TRENDS

- Higher Level Operating Systems
- Enhanced Portability
- Improved Data Security
- More DBMS-based Applications
- Wider Pricing Ranges

INPUT

PC OPERATING SYSTEMS

- Many Options (PC-DOS, CP/M, UNIX, XENIX, p-System, PICK, etc.)
- Corporations Beginning to Standardize
- Shakeout Coming

INPUT

PC OPERATING SYSTEMS

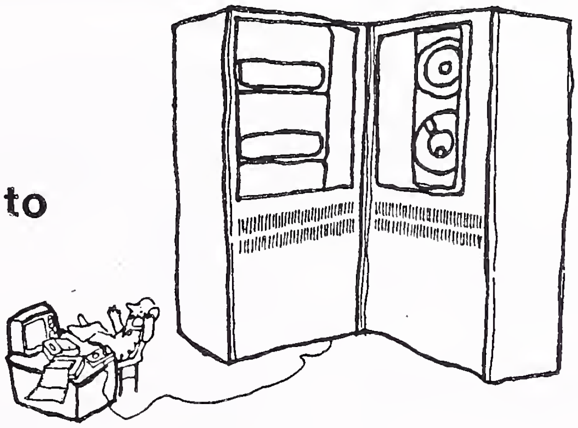
- Evaluate Carefully:
  Vendor Friendly $\neq$ End-user Friendly

- Likely Volume Winner: PC-DOS

INPUT

119

PC-TO-MAINFRAME OFFERINGS

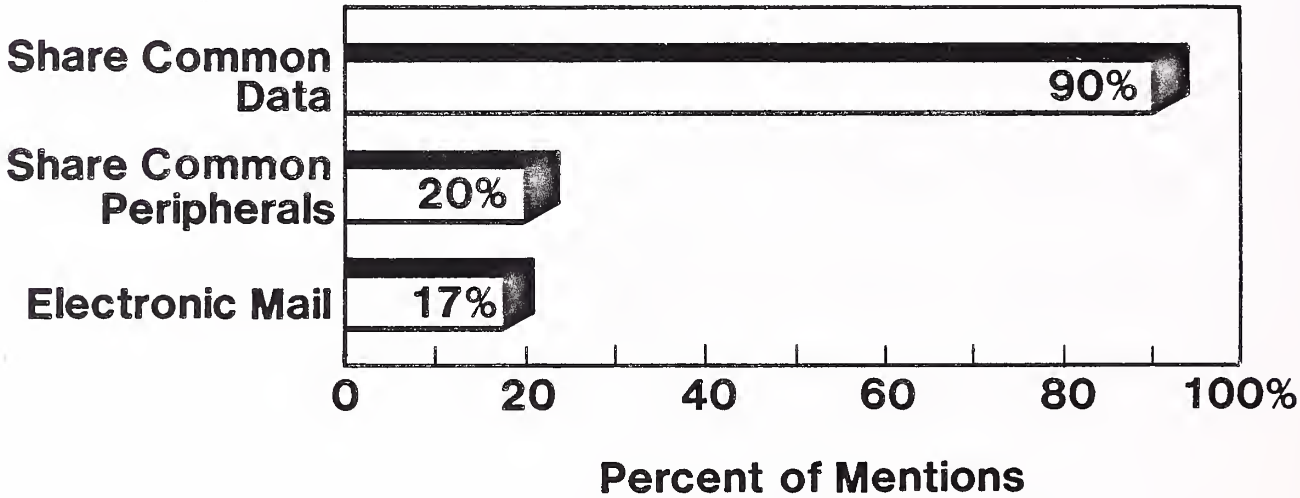


- PC Shift from Personal to Departmental Use
- Explosion of Products
- Leadership from Mainframe Vendors

INPUT

121MCP3

PURPOSES OF INTERCONNECTING PCs



INPUT

12

PC DISTRIBUTION IMPLICATIONS

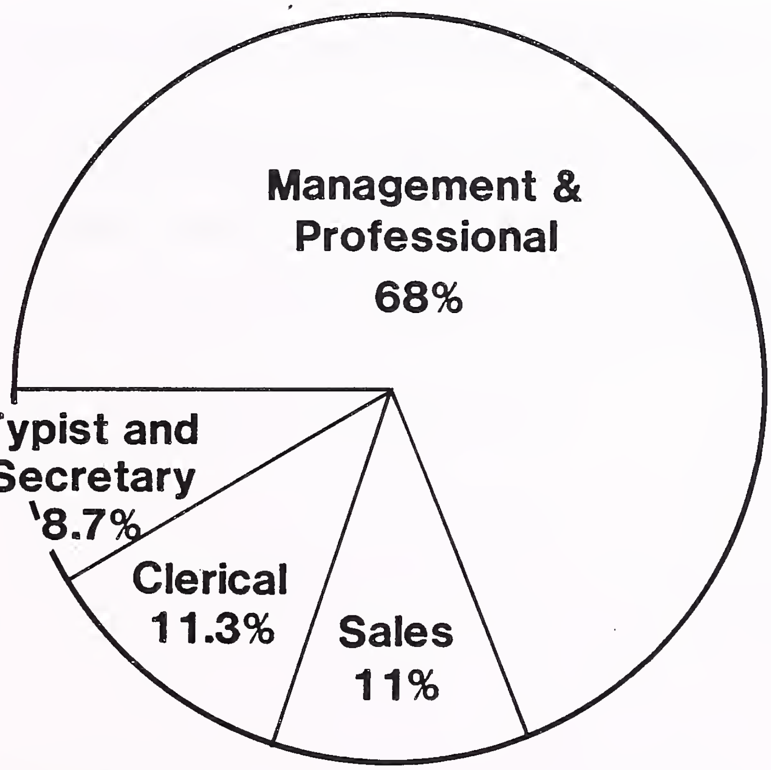
- Distribution Channel Selection Is Critical
- Brand Name Recognition a Key Asset
- Watch Out for . . .
  - Crowded Dealer Shelves
  - Dealer Shakeout
- Consider Mainframe Sales Force

INPUT

OFFICE SYSTEMS

INPUT

THE PROFESSIONAL:
THE EMERGING OFFICE SYSTEMS USER



Office Categories by Salary Cost

INPUT

125MCP3

LAN DIRECTIONS

- Fewer Single-vendor LANs
- Reduced Cost Per Connection
- Progress toward Standardization
- IBM Entry

INPUT

OFFICE SYSTEMS IMPLICATIONS

- Go with Likely Desktop Winners
- Establish Competitive Edge Via . . .
  - Exceptionally User Friendly Systems
  - High Quality Training and Support
  - Data Security Features
  - Application Integration

INPUT

MARKET OUTLOOK

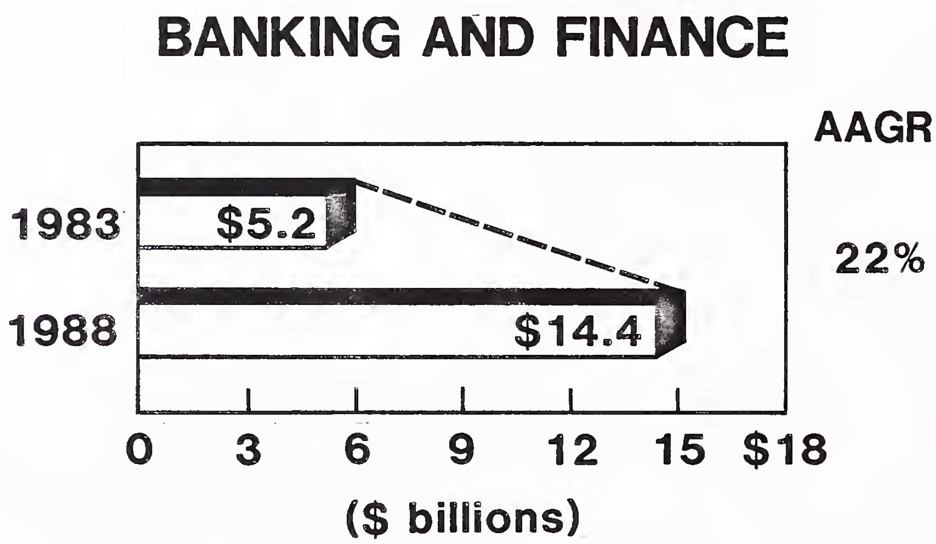
- Industry Sectors
- Delivery Mode Outlook

INPUT

BANKING AND FINANCE

INPUT

130MCP3


BANKING AND FINANCE
AAGR
1983
$5.2
1988
$14.4
22%
0
3
6
9
12
15
$18
($ billions)

INPUT

132

TRENDS

- New Banking Options
  - Insurance, Real Estate
  - Information Services
- Entry of Nonbanking Competitors

INPUT

131MCP3

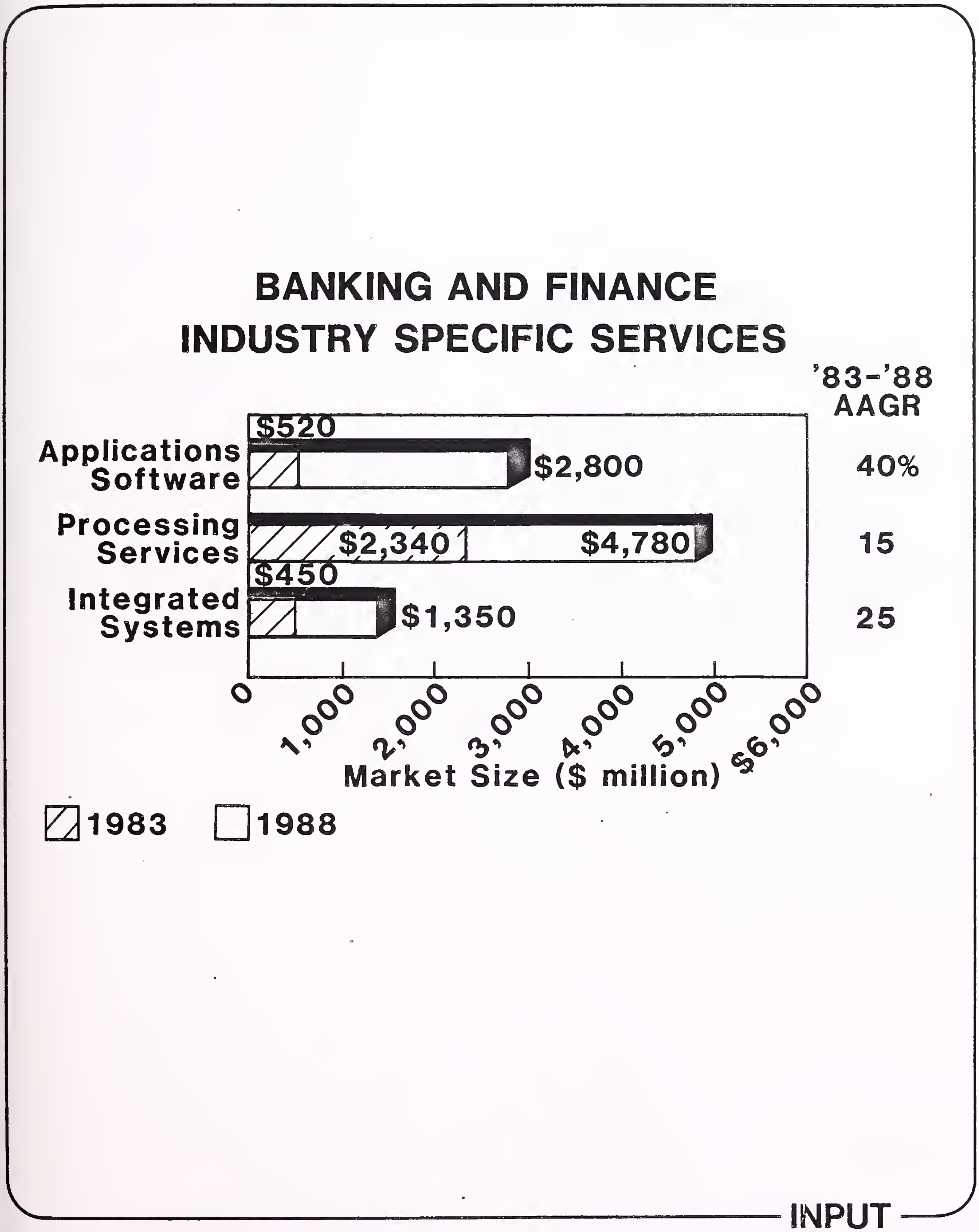
Banking and Finance

MORE COMPETITION FOR VENDORS

- Large Banks
- IBM
- Current Vendors
  - More Banking Departments Served
  - More Delivery Modes Offered

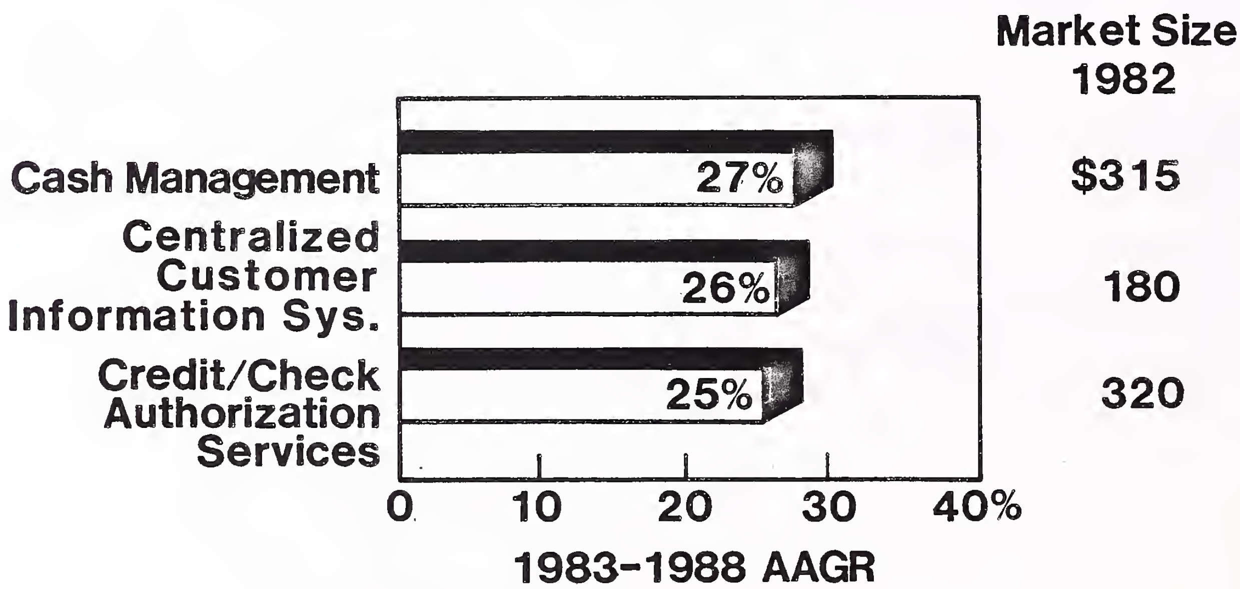
INPUT

135

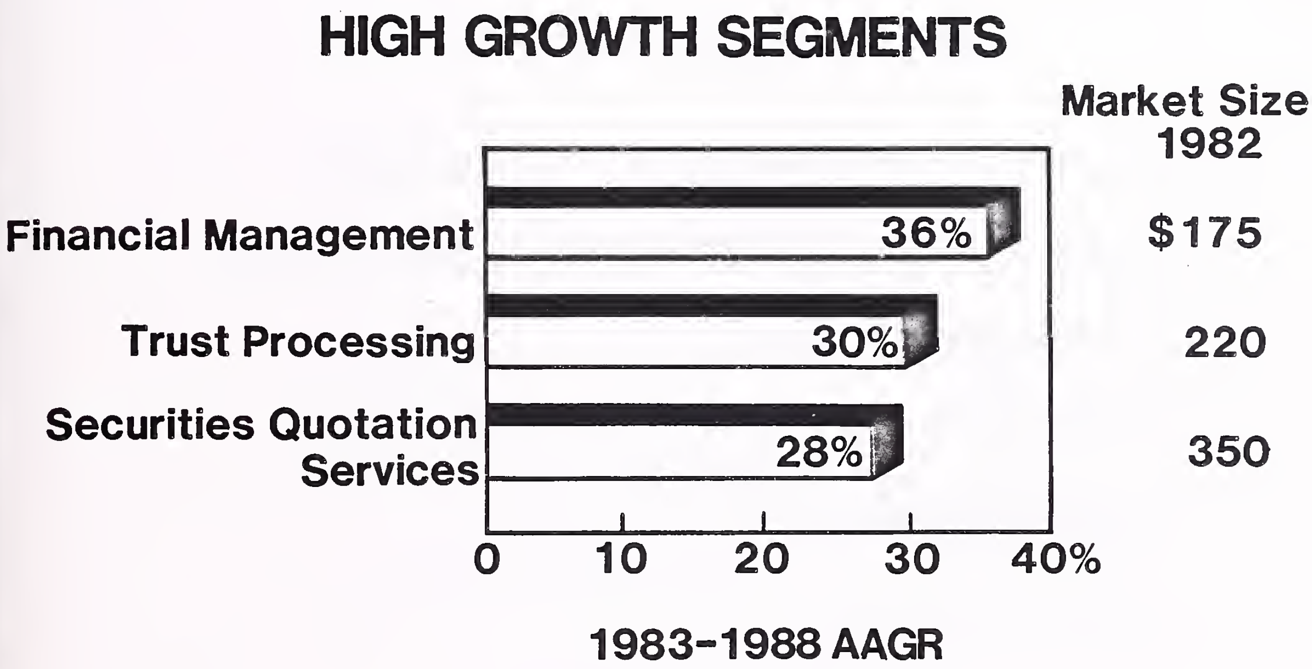

BANKING AND FINANCE
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
Applications Software
$520
$2,800
40%
Processing Services
$2,340
$4,780
15
Integrated Systems
$450
$1,350
25
0
1,000
2,000
3,000
4,000
5,000
$6,000
Market Size ($ million)
1983
1988
INPUT

132AMCP3

HIGH GROWTH SEGMENTS



INPUT



INPUT

136MCP3

RECOMMENDATIONS

- Evaluate High Potential Application Areas
  - Integrated Trust/Retail/Wholesale Banking
  - Brokerage Services
  - Automated Cash Management Decisions
  - Planning Models
  - Home Banking

Banking and Finance

RECOMMENDATIONS

- Upgrade Existing Products With:
  - DBMS
  - Fourth-generation Languages
  - Voice Response

INPUT

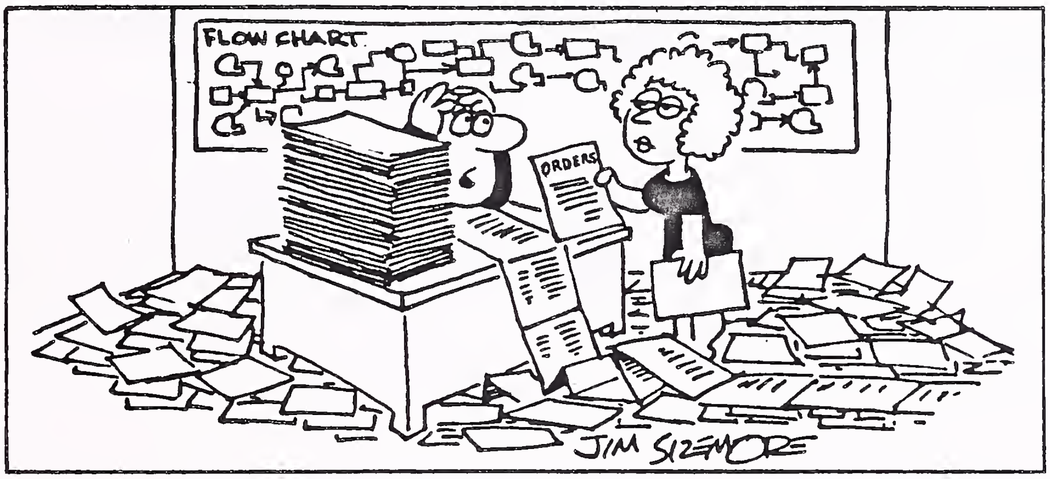
Banking and Finance

RECOMMENDATIONS

- Place Strategic Emphasis On:
  - Application Integration
  - PC, Turnkey-based Services
  - Client Involvement in Product Design

INPUT

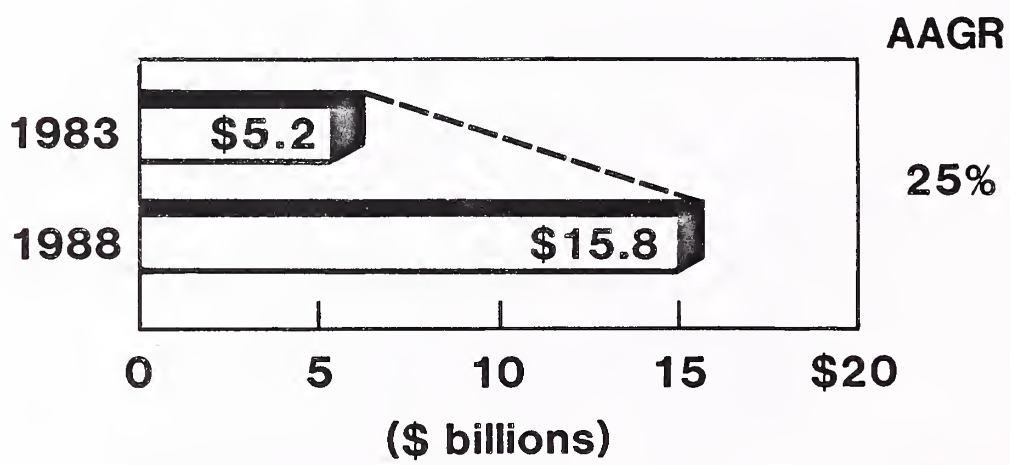
DISCRETE MANUFACTURING



INPUT

141MCP3

DISCRETE MANUFACTURING



INPUT

Discrete Manufacturing

KEY MANUFACTURING ISSUES

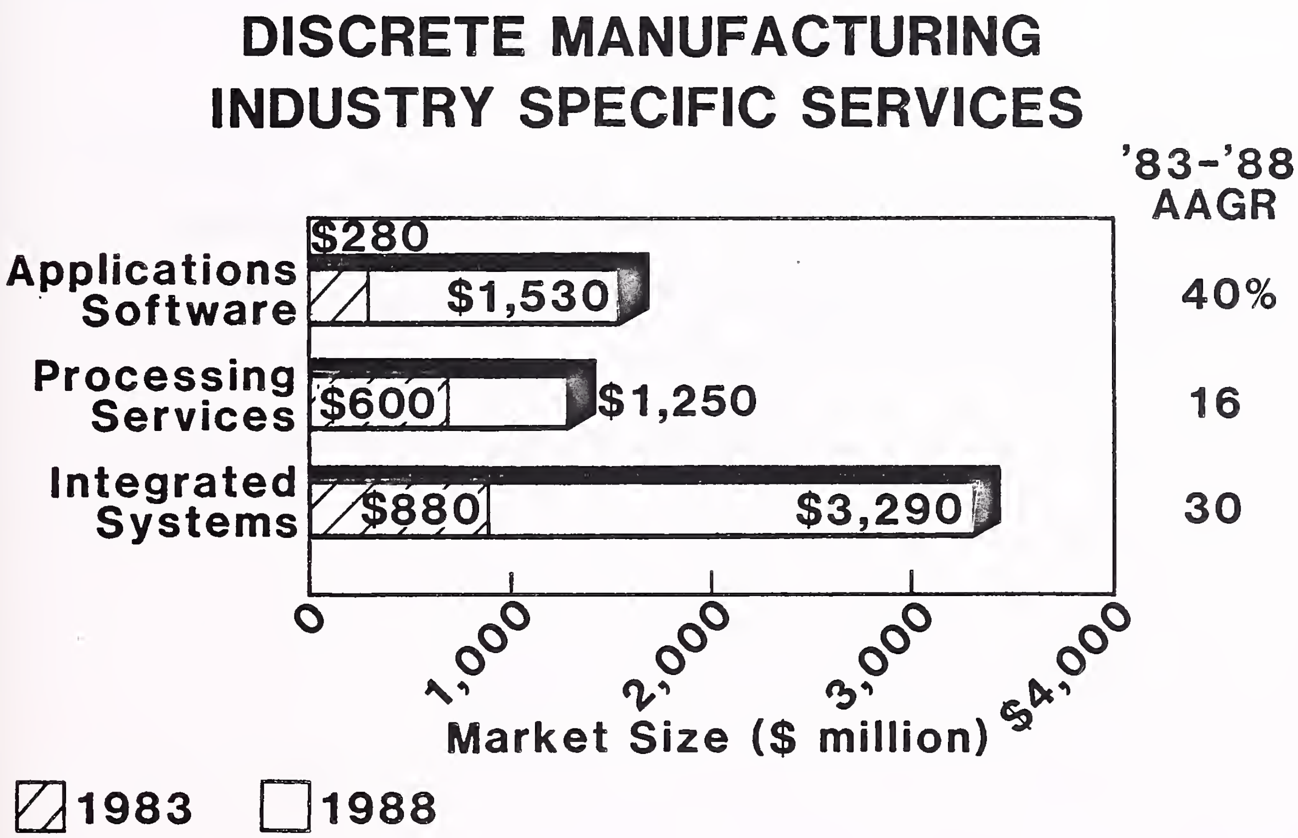
- Processes Becoming More Complex
- Increasing Domestic, Foreign Competition
- Excessive
  - Plant Capacity
  - Factory Downtime
  - New Product Launch Duration

INPUT

Discrete Manufacturing

TRENDS

- CAD/CAM Changing Rapidly
  - Design (Not Drafting) Preference
  - Integrated Approach Wanted
- Robotics Gaining Momentum
- Machine Vision Systems Emerging



INPUT

143A MCP3

Discrete Manufacturing

COMPETITIVE ACTIVITY

- Hardware Vendors Seeking Software
- Some Financial Hiccups
- IBM - Computervision Agreement

INPUT

Discrete Manufacturing

RECOMMENDATIONS

- Target
  - Improved MRP Systems
  - Network Services Linking Suppliers, Distributors
  - CAD/CAM Integration
  - Robotic Applications Simulation

Discrete Manufacturing

RECOMMENDATIONS

- Emphasize Software
- Expand Professional Services
- Narrow Market Focus

INPUT

ENGINEERING AND SCIENTIFIC

INPUT

Engineering and Scientific

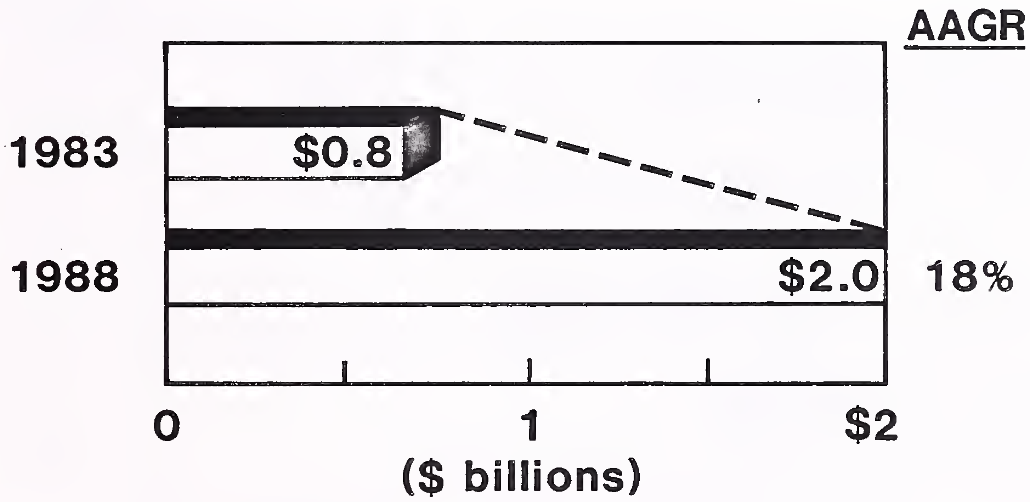
PROFILE

- Strong Economic Recovery
- Pent-up Demand
- Faster Design and Analysis Cycles
- More Engineering Audits
- More "Validated" Software
- Engineering Workstations
  Up 35% Annually

INPUT

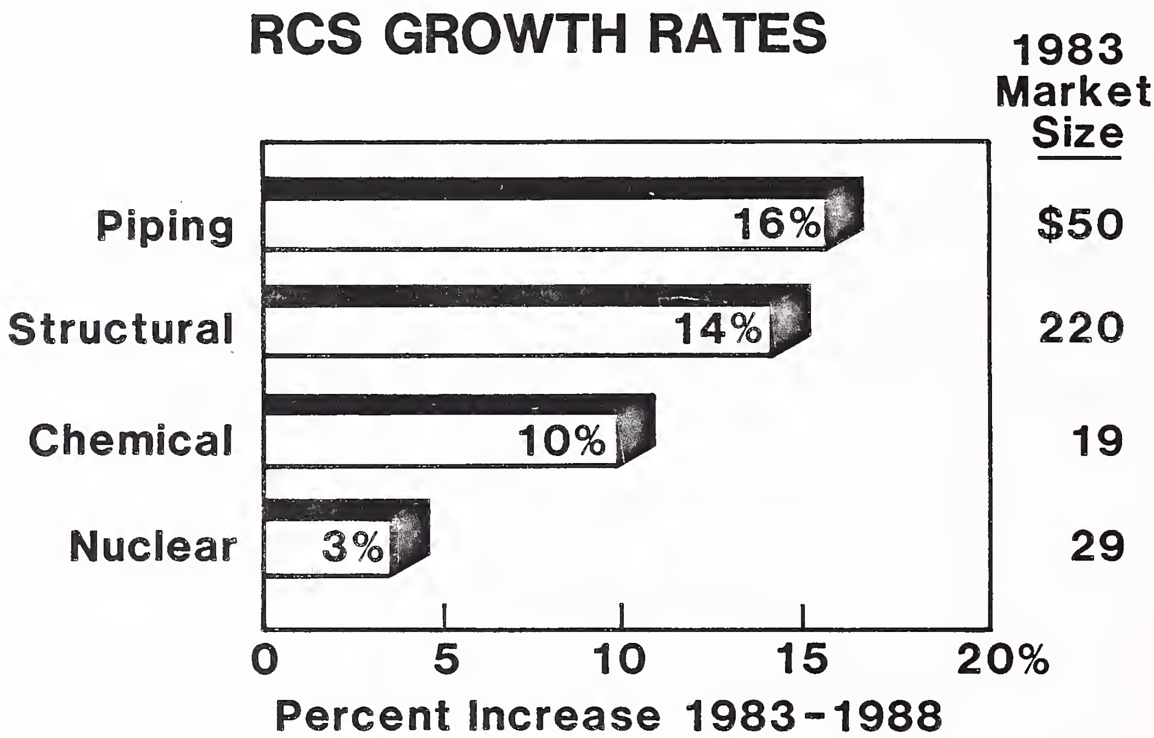
Engineering and Scientific

TOTAL MARKET 1983 - 1988



INPUT

151MCP3

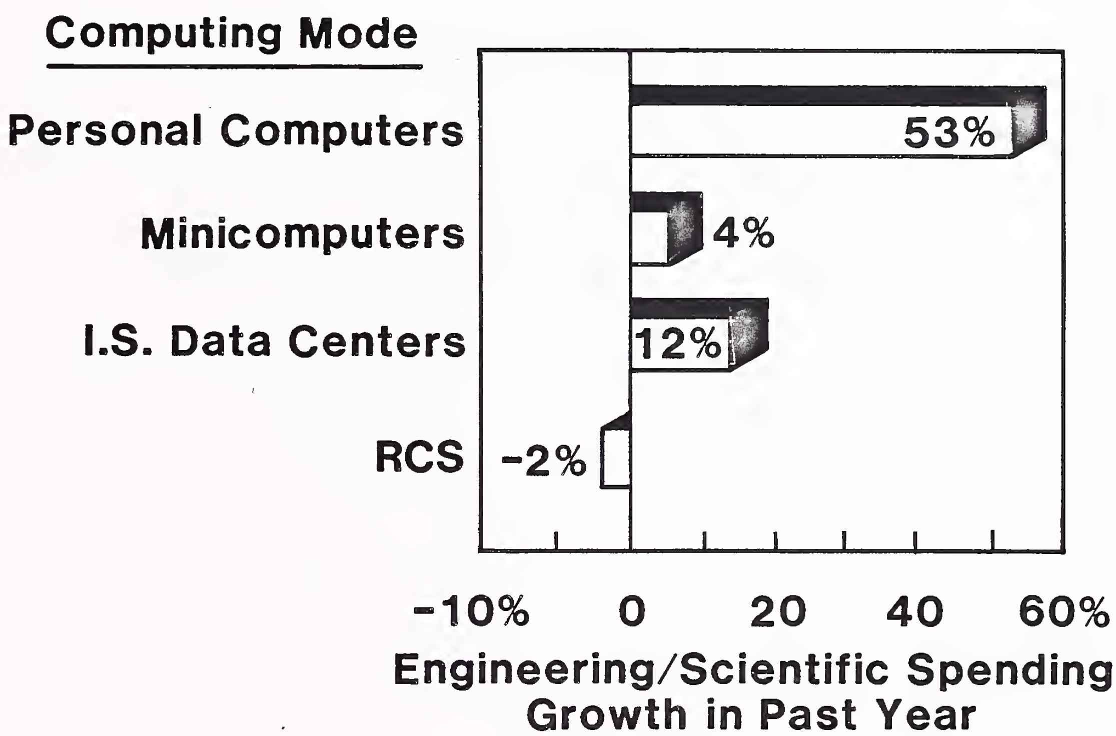


RCS GROWTH RATES
1983 Market Size
Piping
16%
$50
Structural
14%
220
Chemical
10%
19
Nuclear
3%
29
0
5
10
15
20%
Percent Increase 1983-1988

INPUT

152MC

APPLICATIONS GOING IN-HOUSE



INPUT

153MCP3

CUSTOMER NEEDS ARE CHANGING

- Customers Still Want:
  - Support
  - Good Price/Performance
  - Engineering/Scientific Software

INPUT

CUSTOMER NEEDS ARE CHANGING

- But No Longer Value:
  - Supercomputers
  - RCS Business Relationships

INPUT

155MCP3

Engineering and Scientific

RECOMMENDATIONS

- New Looks are Required
  - Offer Integrated Systems of Engineering Workstations Tied to Networks
  - Offer Engineering Data Bases for Cost and Design

Engineering and Scientific

RECOMMENDATIONS

- Maximize Support and Minimize Costs
  - Centralize Applications Expertise
  - Offer Regional Training
  - Deemphasize Local Support

INPUT

Engineering and Scientific

RECOMMENDATIONS

- Distribute Hardware
  - Branch Office Mainframes
  - User Site Hardware

INPUT

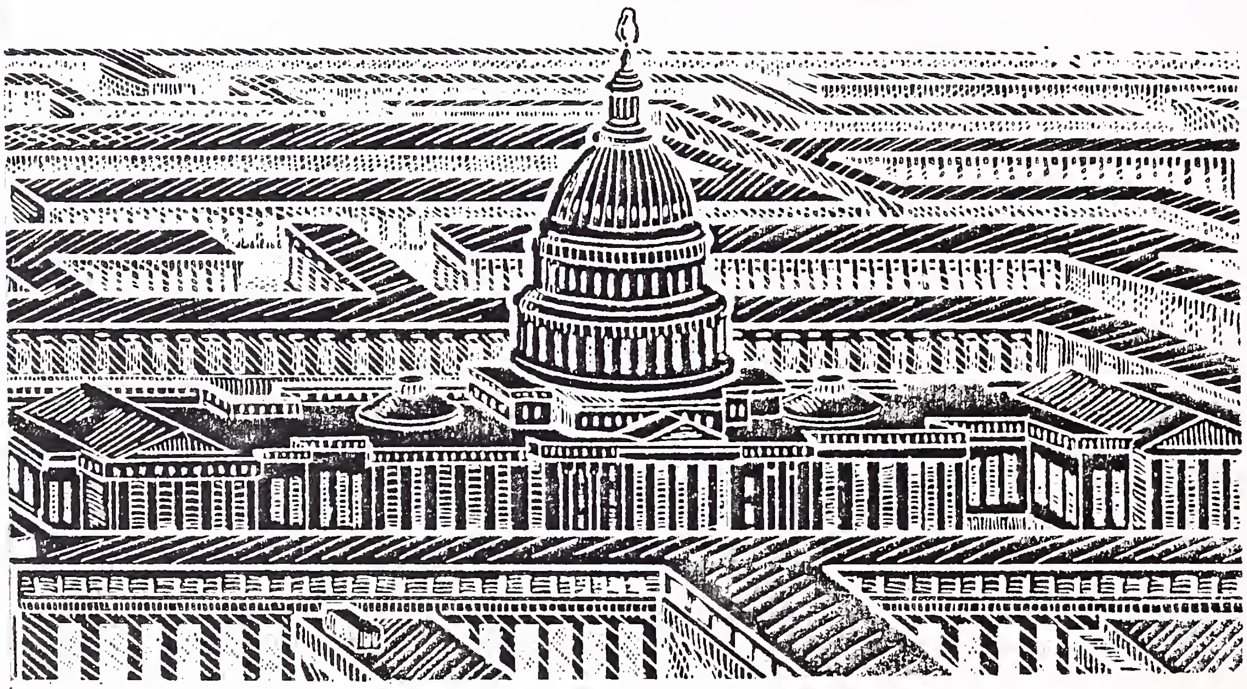
Engineering and Scientific

RECOMMENDATIONS

- Broaden Computing Mode Support
  - Integrate Small Computers
  - Maximize Proprietary Software
  - Offer Integrated Systems
  - Support User Site Software

INPUT

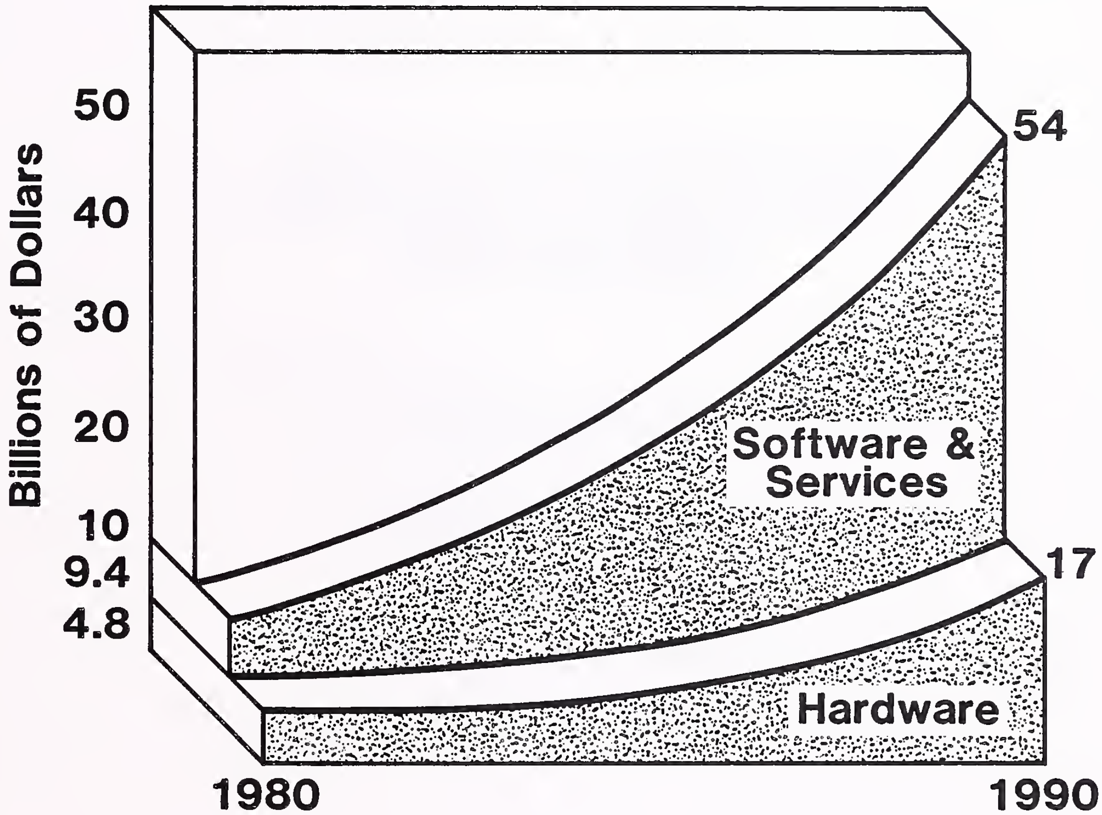
FEDERAL GOVERNMENT



INPUT

160M

FEDERAL GOVERNMENT COMPUTER EXPENDITURES*



*Excludes Classified Systems

INPUT

3UCN3JF
161MCP3

EMBEDDED COMPUTER RESOURCES

- Exempt from Brooks Act
- 25-fold Inventory Increase (1980 to 2000)
- Support SW Paces Applications

INPUT

EMBEDDED COMPUTER RESOURCES

- Inadequacies:
  - Standardization
  - Technology Base
  - Transferability
  - Management Discipline
- ECR Modelling on Commercial ADPE

INPUT

9UCN3JF
164MCP3

WHERE ARE THE PROGRAMMERS?

- 33% Annual Turnover
- 40% Shortfall in 1990
- ECR SW Logistics Demand
- Productivity Aids
- Retraining Needs
- Commercial Market Impact

INPUT

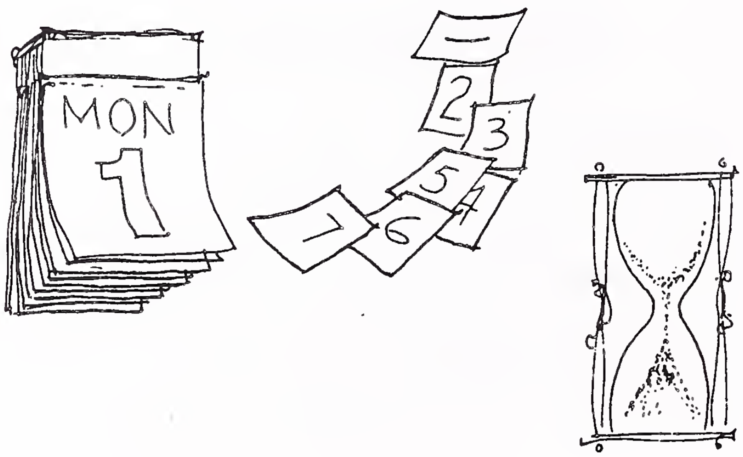
Federal Government

CONCLUSIONS

- Soaring Federal Market
- PC-driven Management Tools
- Software Engineering Disciplines
- Embedded Computer "Bow Wave"
- Skilled Labor Demand Impact

INPUT

INSURANCE



INPUT

PROPERTY/CASUALTY TRENDS

- Unfavorable Business Conditions
- - Overcapacity, Increased Competition
  - Underwriting Losses
- Information Services Needs
  - Better Agent Support
  - Better Underwriting Data

INPUT

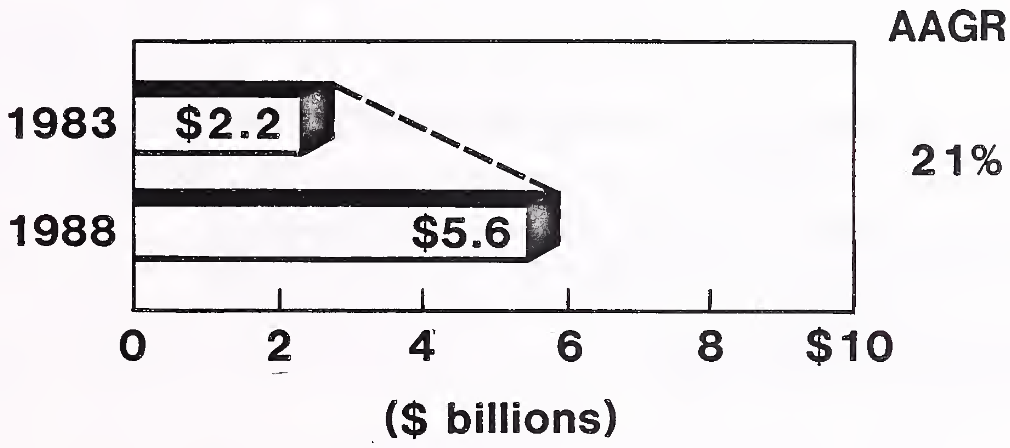
168MCP3

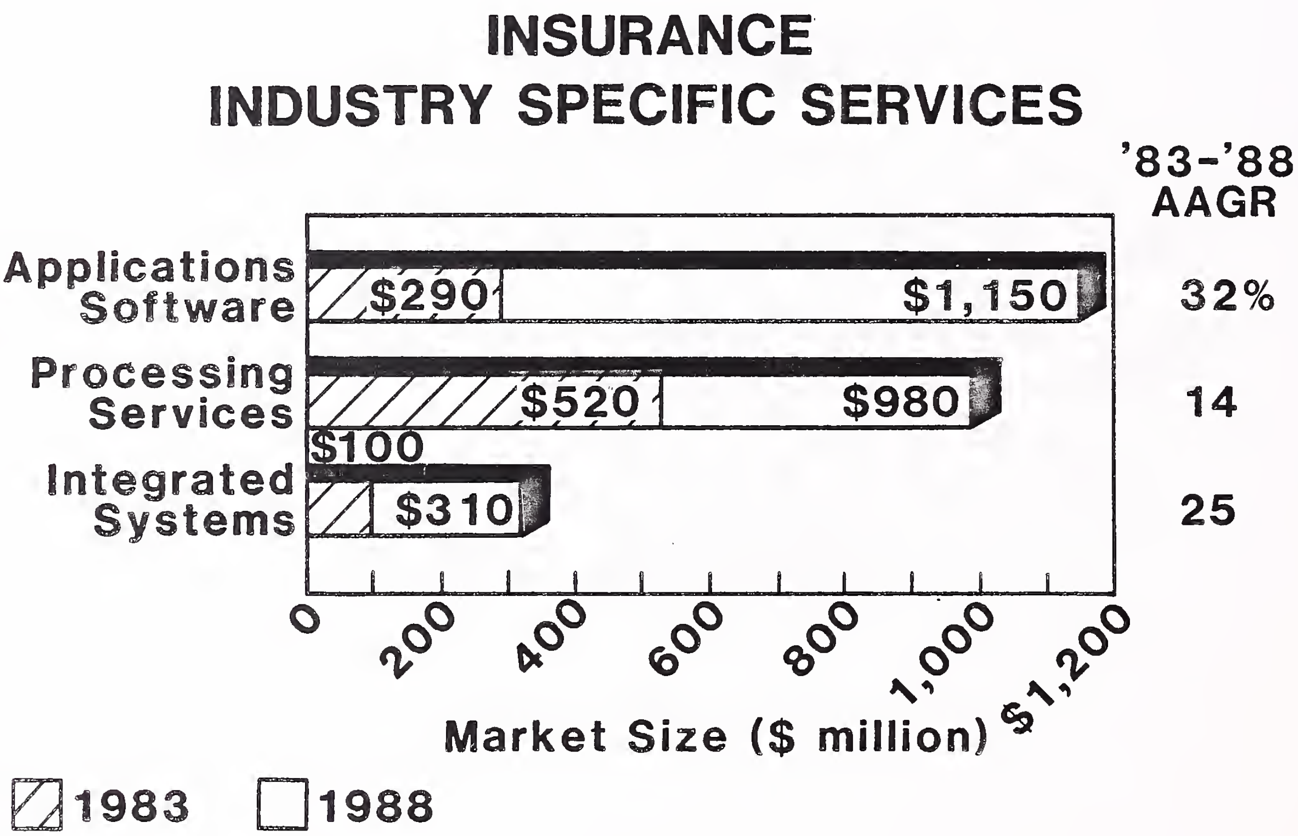
LIFE/HEALTH TRENDS

- Changing Product Mix
- Increased Self-insurance
- Non-insurance Competition
- Information Services Needs
  - Move Flexible Support Systems
  - Better Agent Support

INPUT

INSURANCE





INSURANCE
INDUSTRY SPECIFIC SERVICES
'83-'88 AAGR
Applications Software
$290
$1,150
32%
Processing Services
$520
$980
14
$100
Integrated Systems
$310
25
0
200
400
600
800
1,000
$1,200
Market Size ($ million)
1983
1988

INPUT

Insurance

RECOMMENDATIONS

- Explore Opportunities Such As:
  - IVANS Tie-in Service
  - Commericial Lines Software
  - Third-party Benefit Administrators
- Keep Insurance Industry Expertise Visible

INPUT

Insurance

COMPETITIVE ACTIVITIES

- ISA Redirection
- PMS = Major P&C Software Vendor
- Multiple PC-based Services
- PC Companies Offering Agency Automation
- IVANS in Test Mode

INPUT

MEDICAL

INPUT

174MCP3

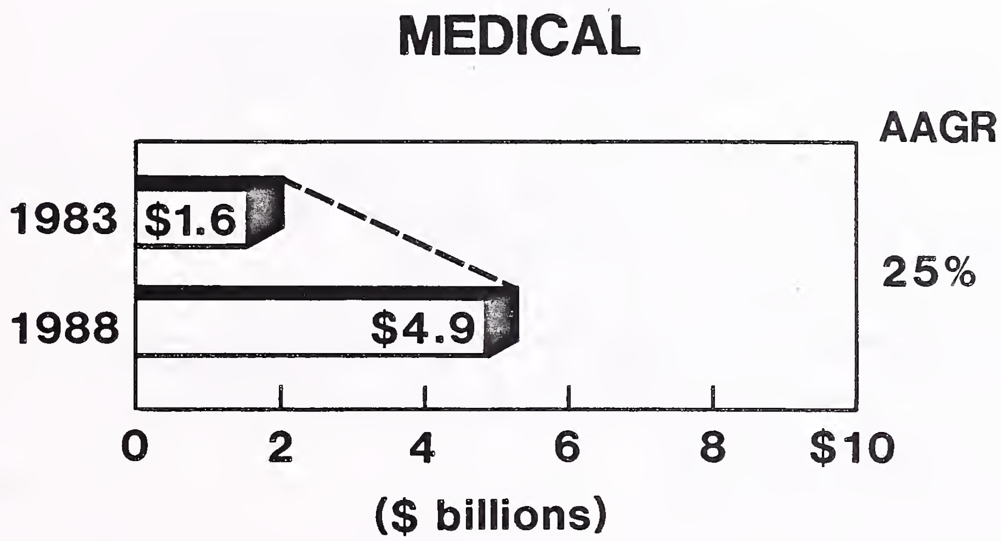
Medical

CHANGING STRUCTURES

- Intense Competition
- New Cost-sensitive Environment
  - Hospitals ⟶ Ambulatory Care
  - Larger Group Practices
- HMO, Chain, Walk-in Growth
- Large Corporation Management

INPUT

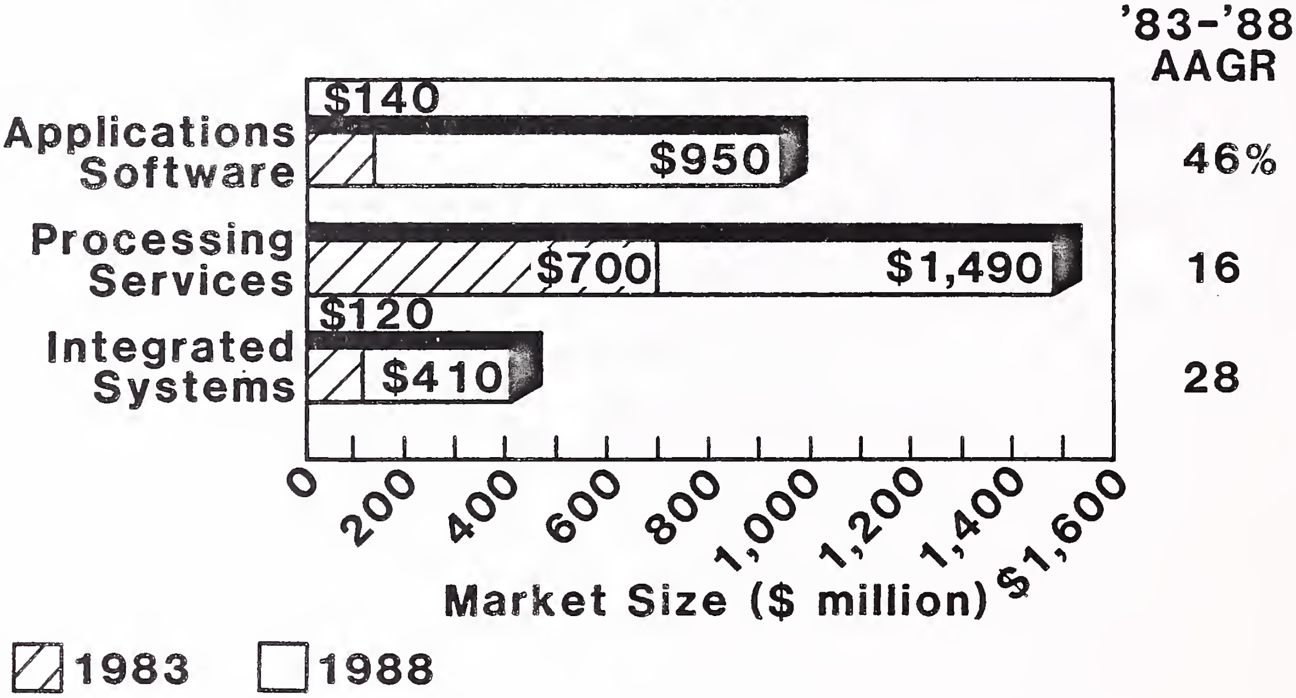
175MC



INPUT

176MCP3

MEDICAL
INDUSTRY SPECIFIC SERVICES



INPUT

SYSTEMS IMPLICATIONS

- Diagnosis-related Group (DRG) Reporting
- More Hospital Robotics
- More Expert Systems

Medical

COMPETITIVE ACTIVITY

- More Joint Marketing
- More Insurance, CPA Vendors
- Vendor Diversification to Physician Market
- IBM More Aggressive

INPUT

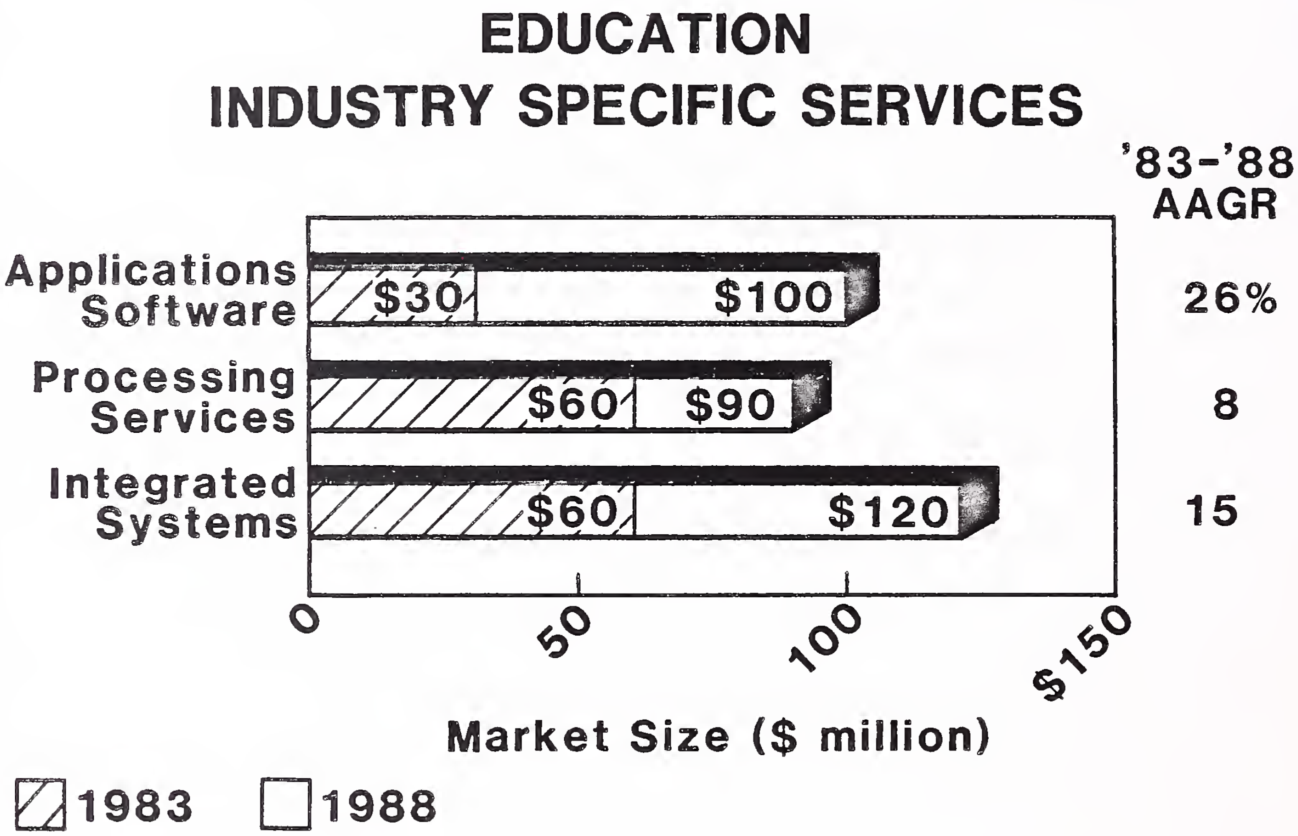
179MC

Medical

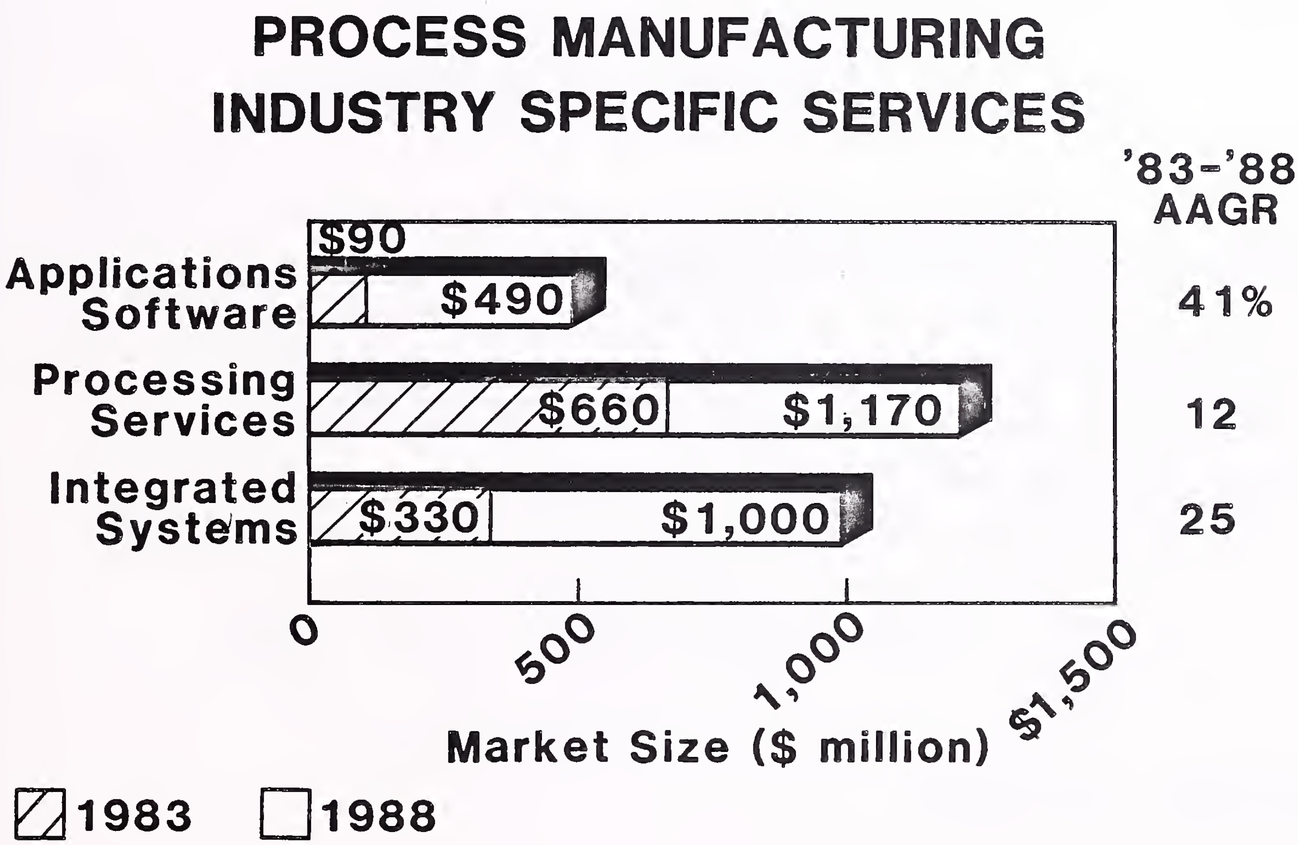
RECOMMENDATIONS

- Explore Emerging Application Opportunities
  - Cost Measurement Systems
  - Patient Data Bases
- Target Chains
- Emphasize Service/Software Support

INPUT

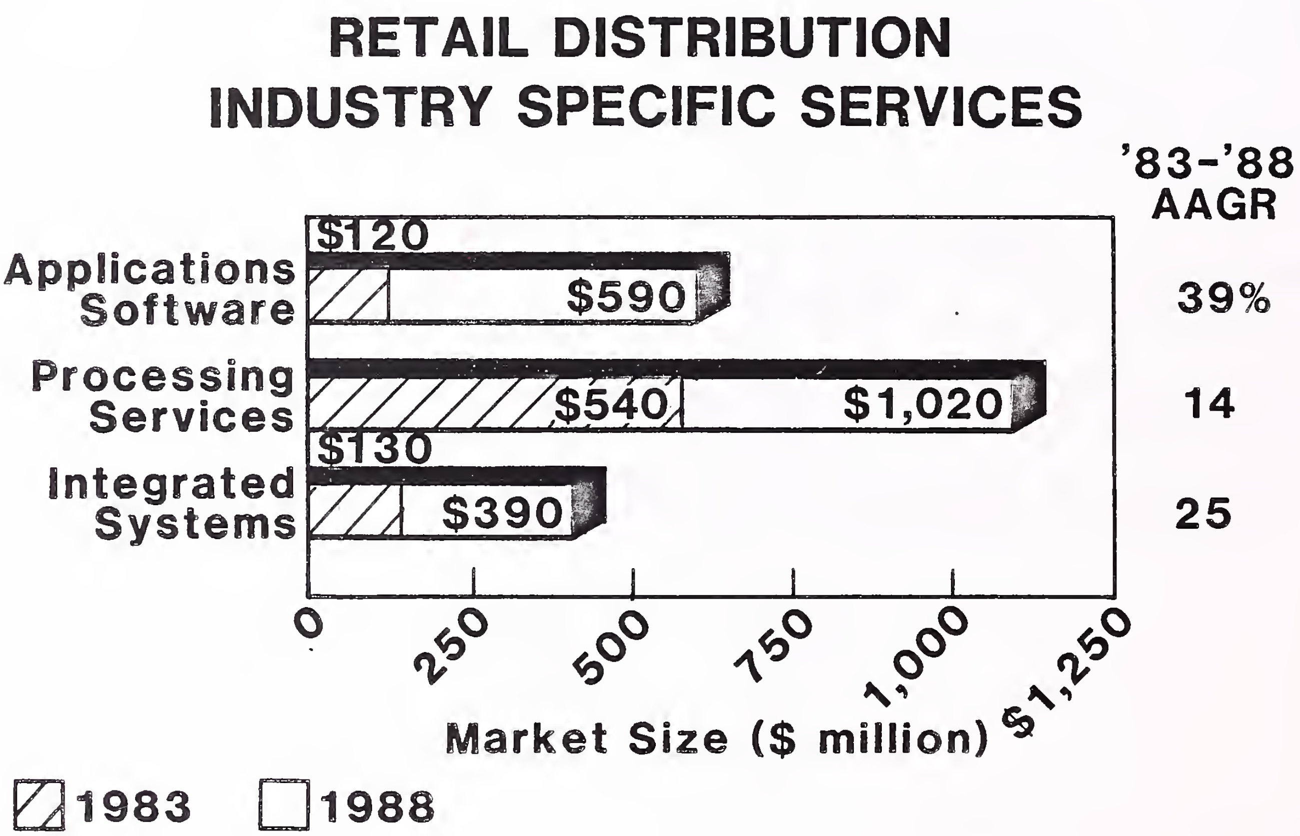

EDUCATION
INDUSTRY SPECIFIC SERVICES
'83-'88 AAGR
Applications Software
$30
$100
26%
Processing Services
$60
$90
8
Integrated Systems
$60
$120
15
0
50
100
$150
Market Size ($ million)
1983
1988

INPUT

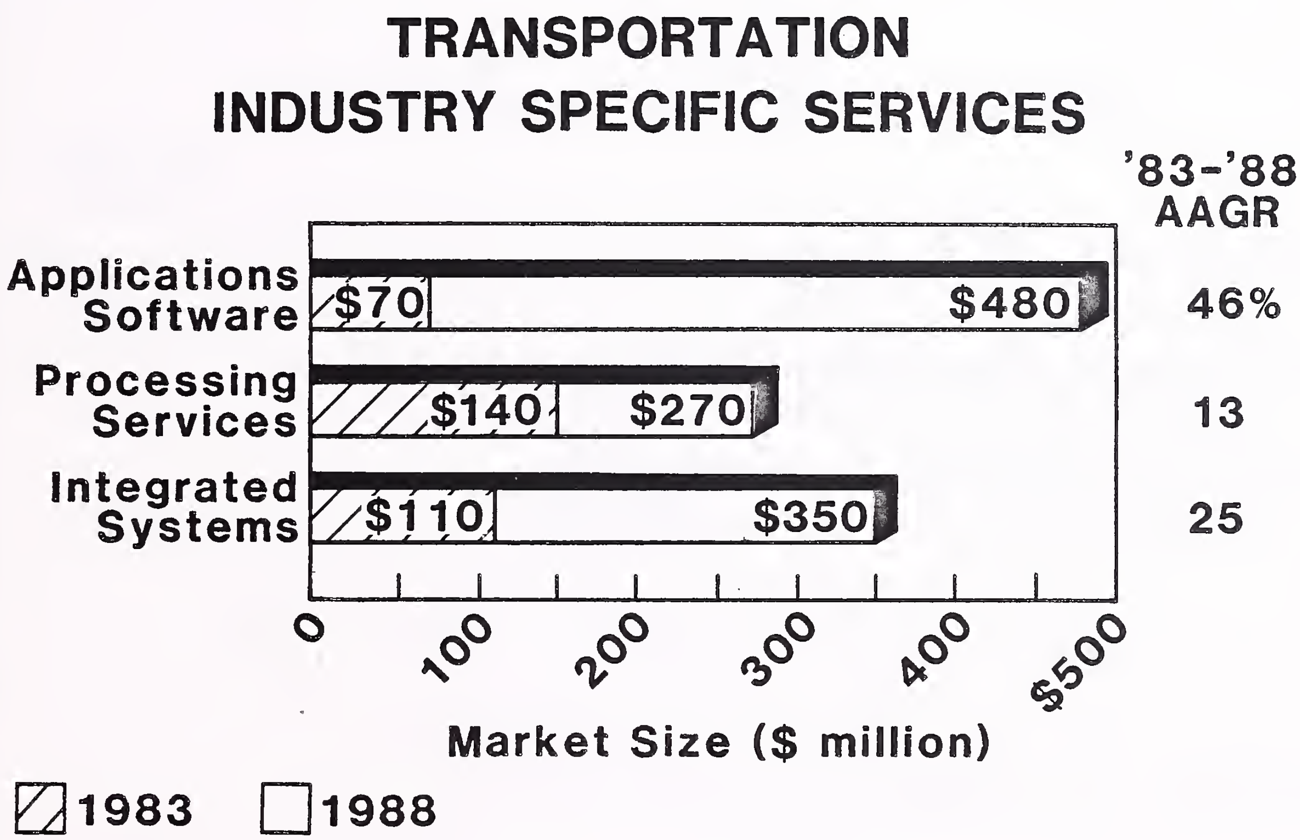


PROCESS MANUFACTURING
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
Applications Software
$90
$490
41%
Processing Services
$660
$1,170
12
Integrated Systems
$330
$1,000
25
0
500
1,000
$1,500
Market Size ($ million)
1983
1988

MCP3


RETAIL DISTRIBUTION
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
$120
Applications
Software
$590
39%
Processing
Services
$540
$1,020
14
$130
Integrated
Systems
$390
25
0
250
500
750
1,000
$1,250
Market Size ($ million)
1983
1988

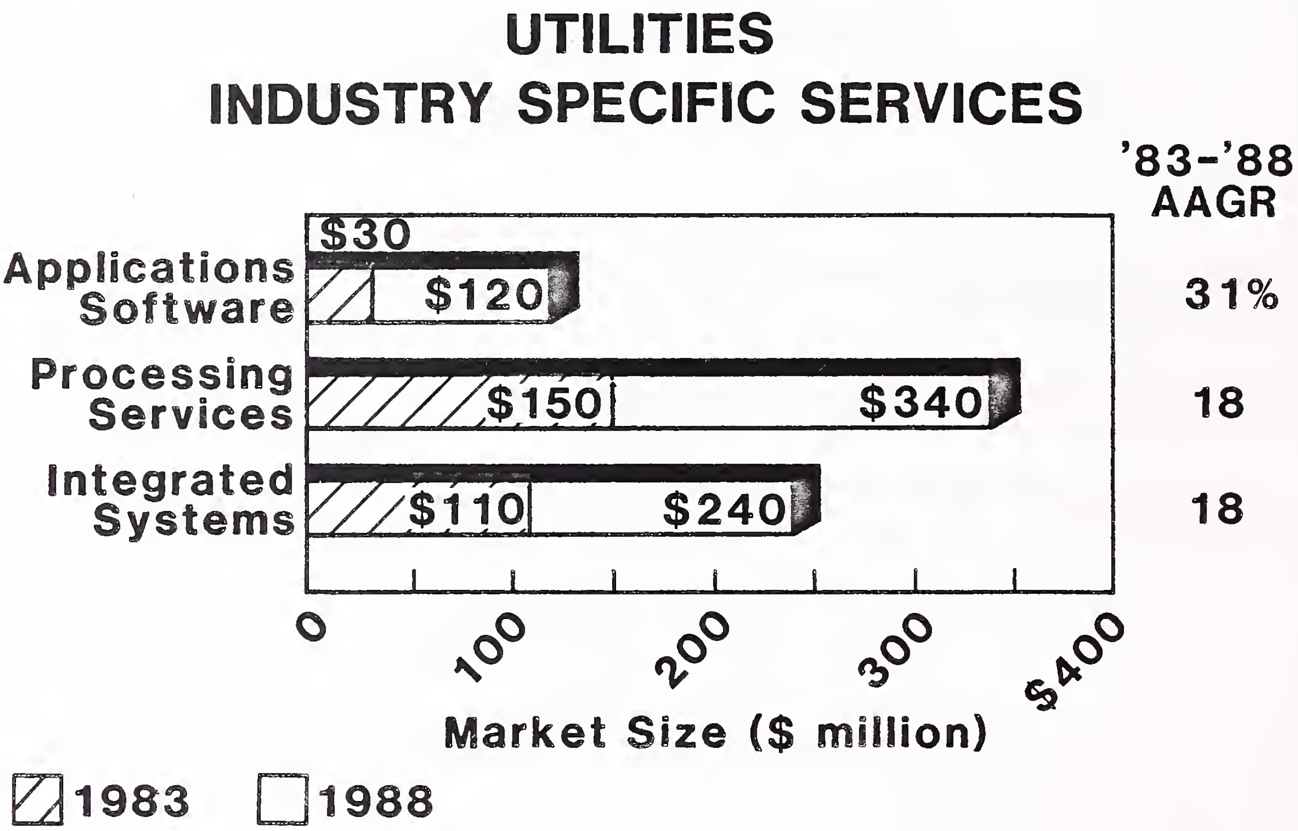
INPUT



TRANSPORTATION
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
Applications
Software
$70
$480
46%
Processing
Services
$140
$270
13
Integrated
Systems
$110
$350
25
0
100
200
300
400
$500
Market Size ($ million)
1983
1988

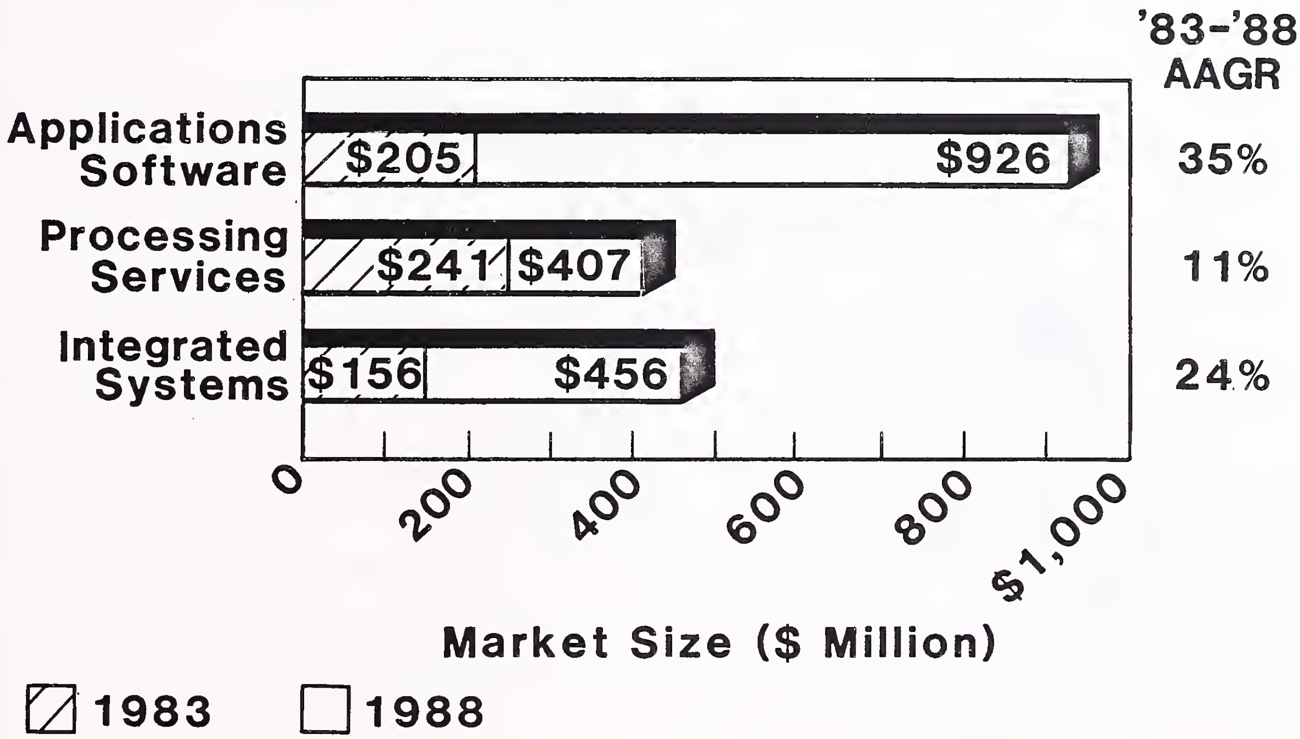
INPUT

MCP3


UTILITIES
INDUSTRY SPECIFIC SERVICES
'83-'88 AAGR
$30
Applications Software
$120
31%
Processing Services
$150
$340
18
Integrated Systems
$110
$240
18
0
100
200
300
$400
Market Size ($ million)
1983
1988

INPUT

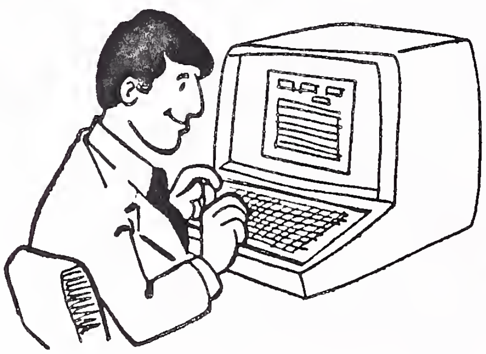
WHOLESALE
INDUSTRY SPECIFIC SERVICES



INPUT

MCP3

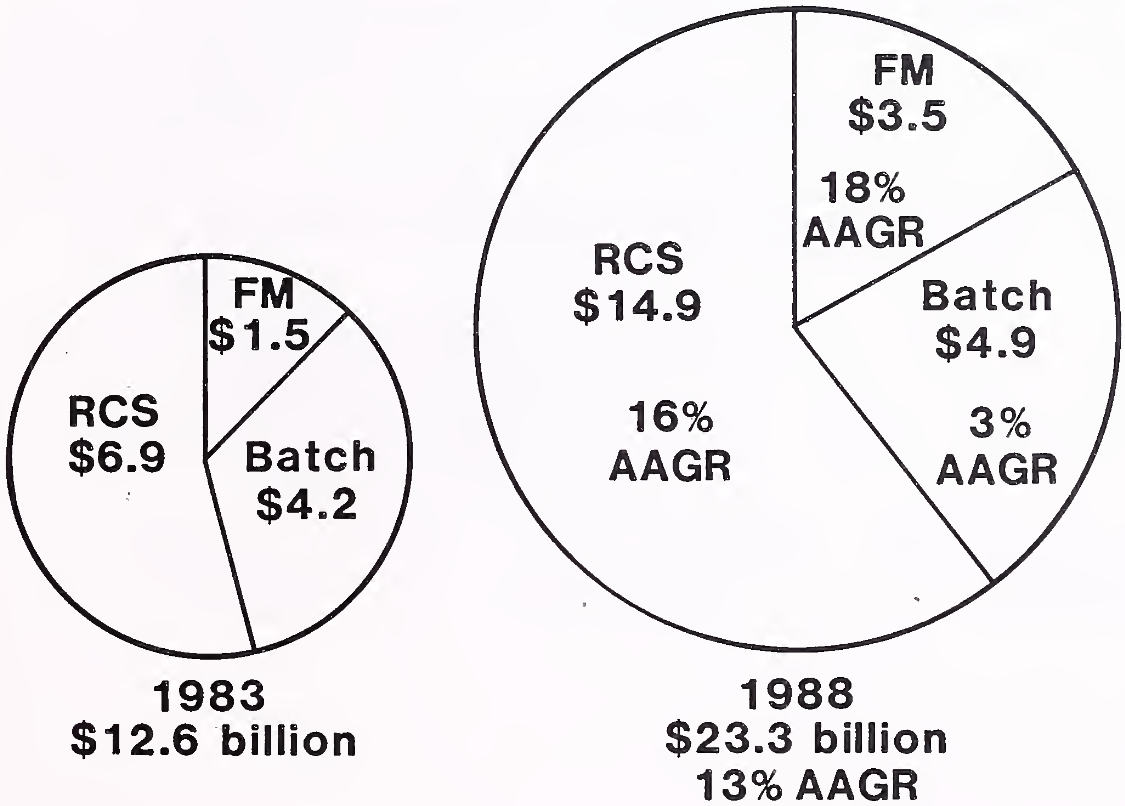
PROCESSING SERVICES OUTLOOK



- Services Mix
- PC Impact and Response
- Recommendations

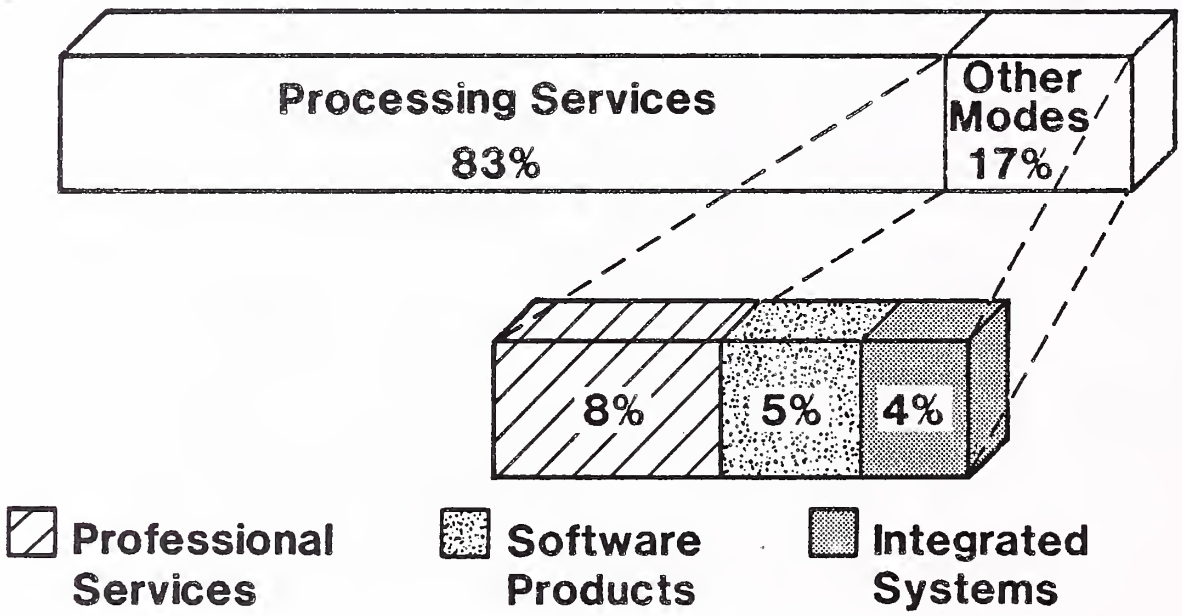
INPUT

PROCESSING SERVICES GROWTH



INPUT

EXPANSION TO MULTIPLE DELIVERY MODES

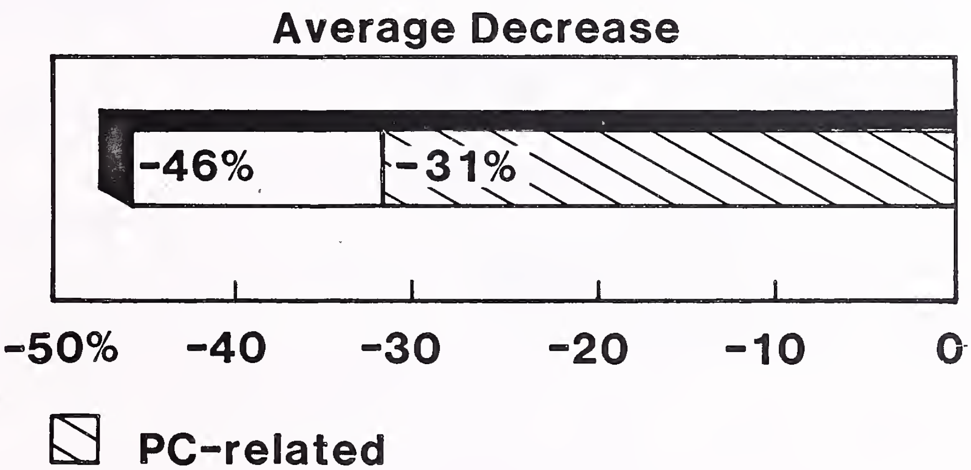


INPUT

201M

USE OF RCS

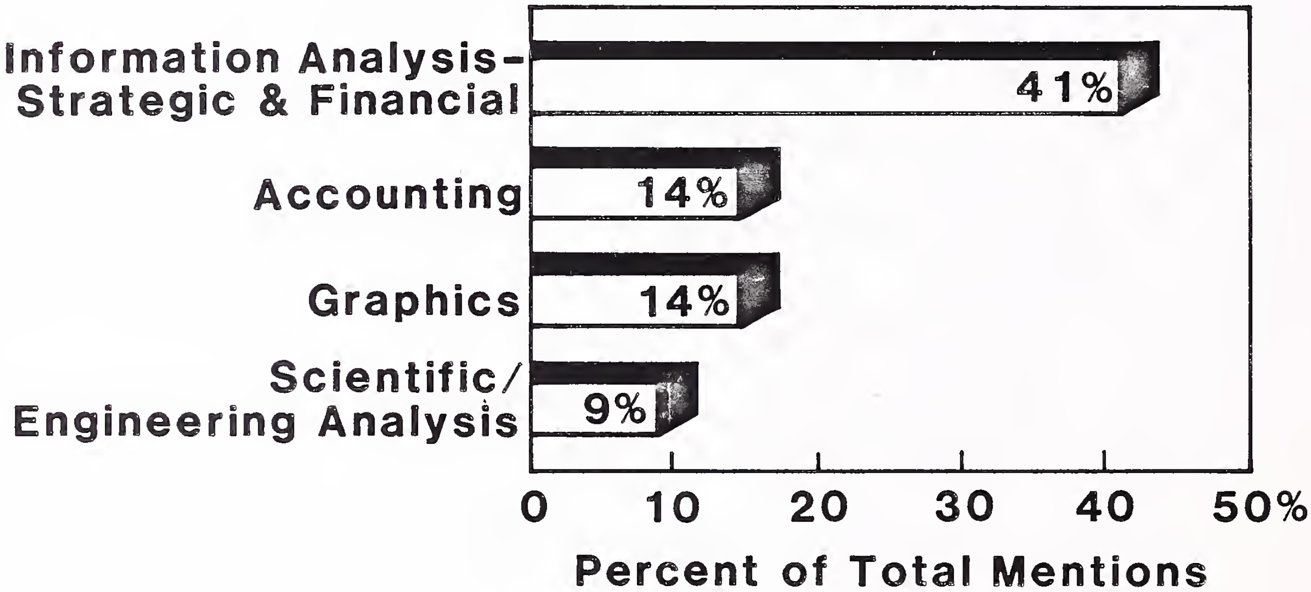
- 48% of Respondents Reported Decline in RCS Use



INPUT

202MCP3

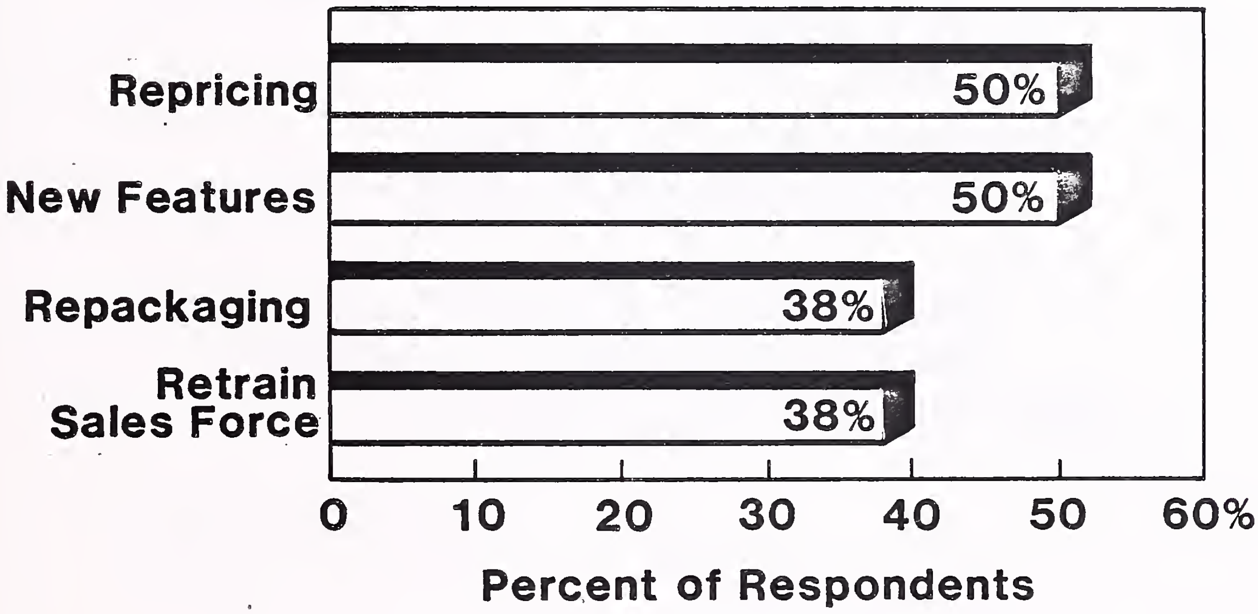
RCS APPLICATIONS DISPLACED BY PCs



INPUT

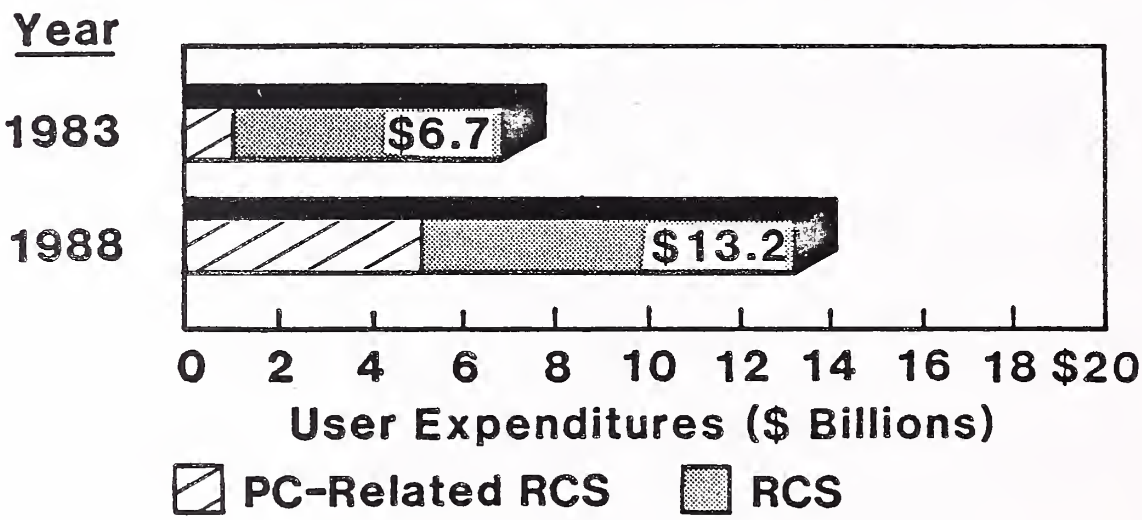
203MC

RCS DEFENSIVE STRATEGIES



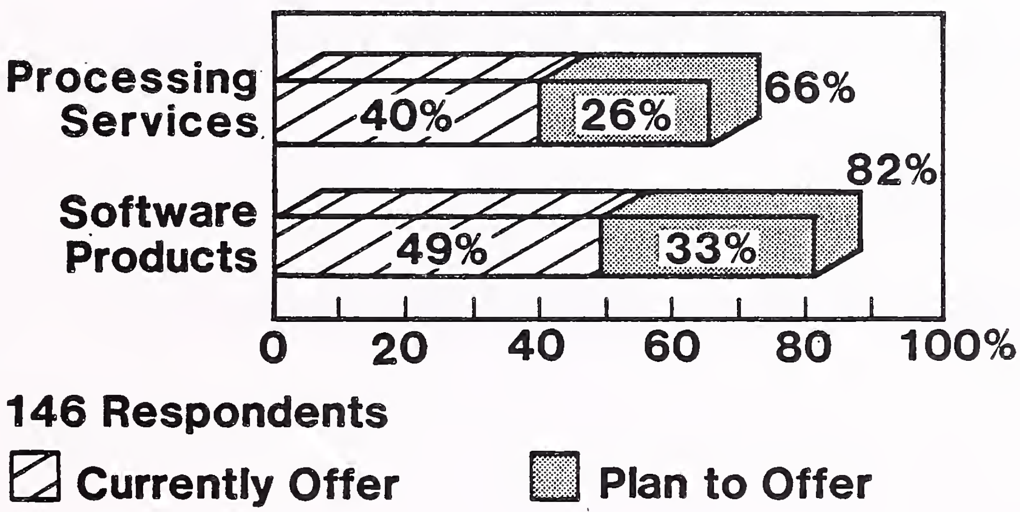
INPUT

PC-RELATED RCS TO BE 33% OF U.S. REVENUES BY 1988



INPUT

VENDOR INVOLVEMENT WITH PERSONAL COMPUTERS



INPUT

122MCP3

RCS GROWTH STRATEGIES UNLIKELY TO BE DUPLICATED BY PC TECHNOLOGY

- Strong Customer and Application Knowledge
- Communications (Value-added and LAN)
- Large Data Base Applications
- Large Transaction-oriented Applications

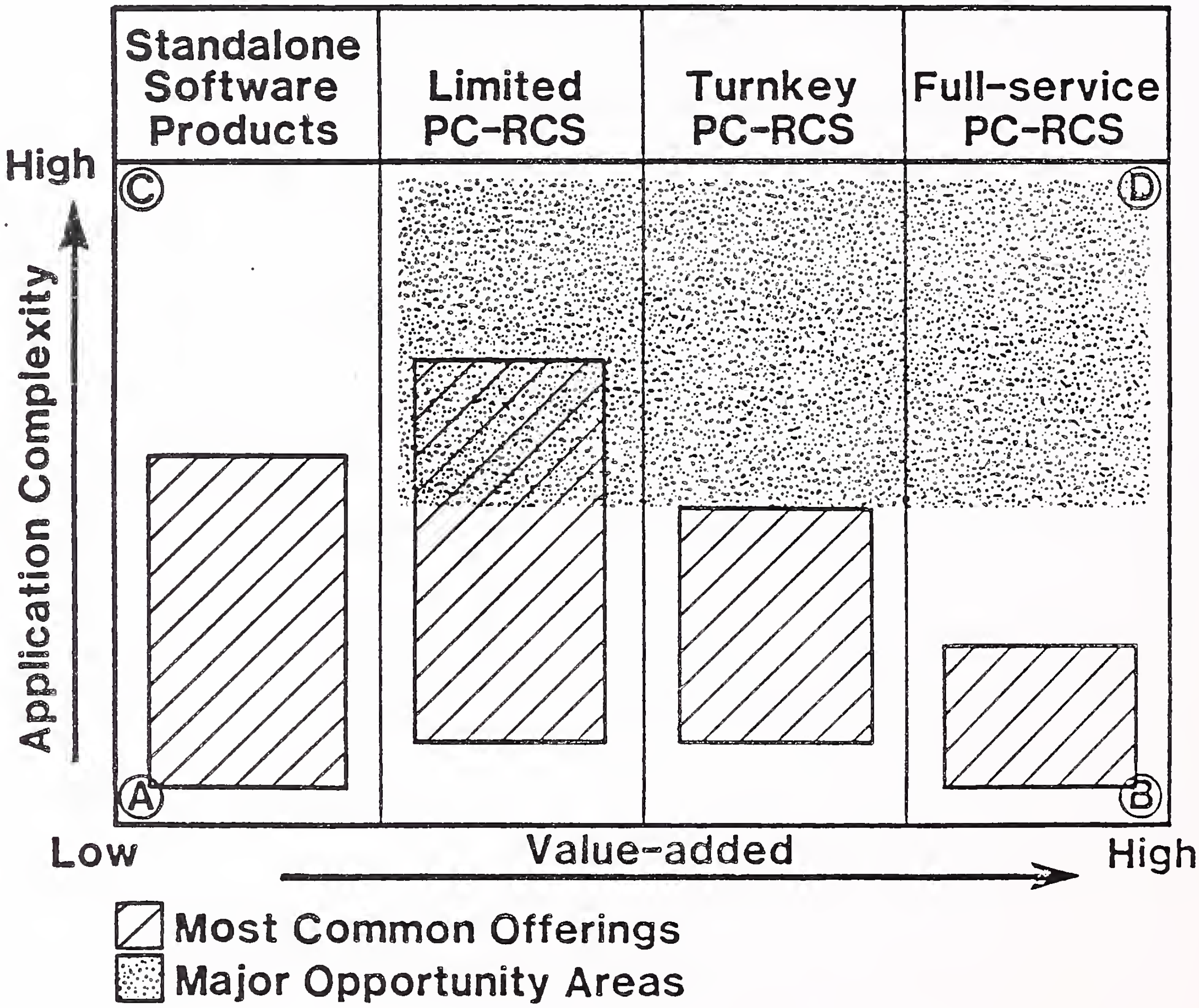
INPUT

RCS GROWTH STRATEGIES UNLIKELY TO BE DUPLICATED BY PC TECHNOLOGY

- Full Range of Customer Support
- Local Sales/Support Offices
- RCS Vendor Accountability

INPUT

SCOPE OF PC-RCS OFFERINGS



INPUT

211M

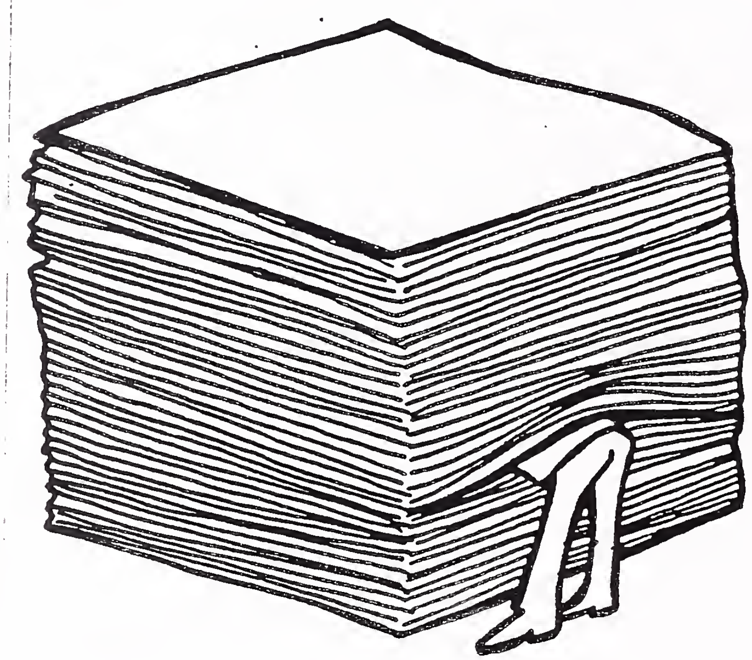
PC-RCS IMPLEMENTATION CONSIDERATIONS

- **Stay in Mainstream With . . .**
  - **Hardware**
  - **Operating Systems**
- **Keep Design Open-ended**
- **Provide Good Ergonomics**

INPUT

212MCP3

ON-LINE DATA BASES



INPUT

DATA BASE SERVICES

- More Cost-effective Storage, Processors, and Terminals
- More Outlets
- Better Network Management
- Better Information Handling Software
- But Higher Communications Costs

INPUT

188AMCP3

DATA BASE SERVICES DEMAND

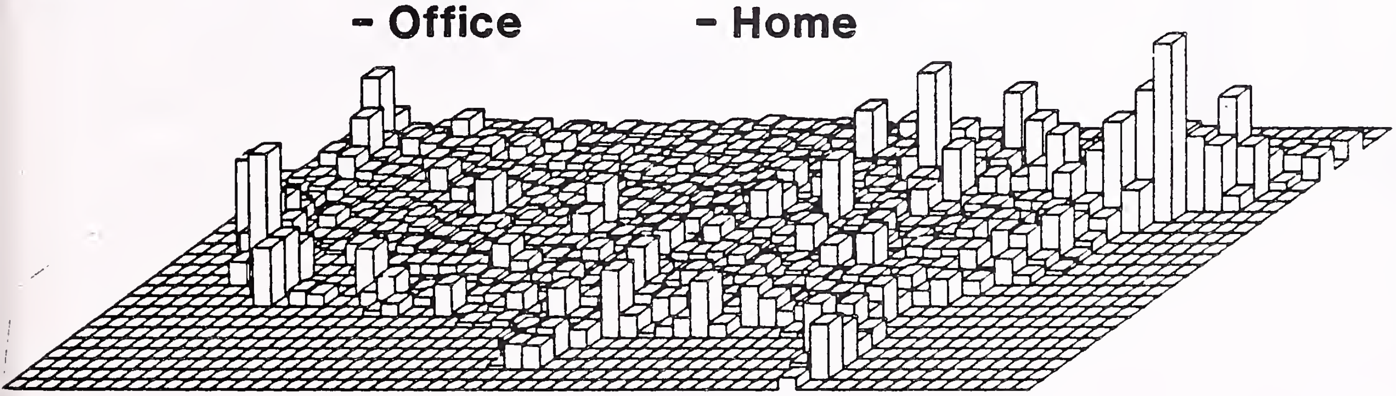
- Market Conditioning through Advertising
- Broader Base of Customers
- More Demand for Qualified Information
- Need for Interrelated Data

INPUT

188BMC

DATA BASE SERVICES DRIVING FORCES

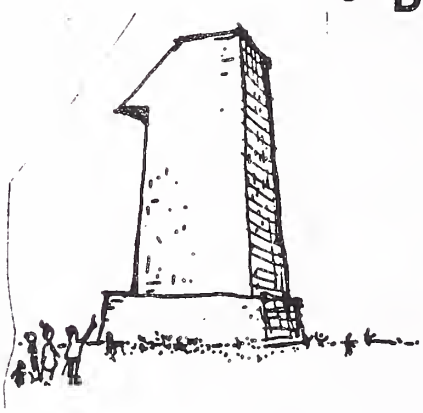
- Shift from Dedicated to PC Terminals
- PC Proliferation Creating Millions of Access Points
  - Office
  - Home



INPUT

189MCP3

DATA BASE VENDORS



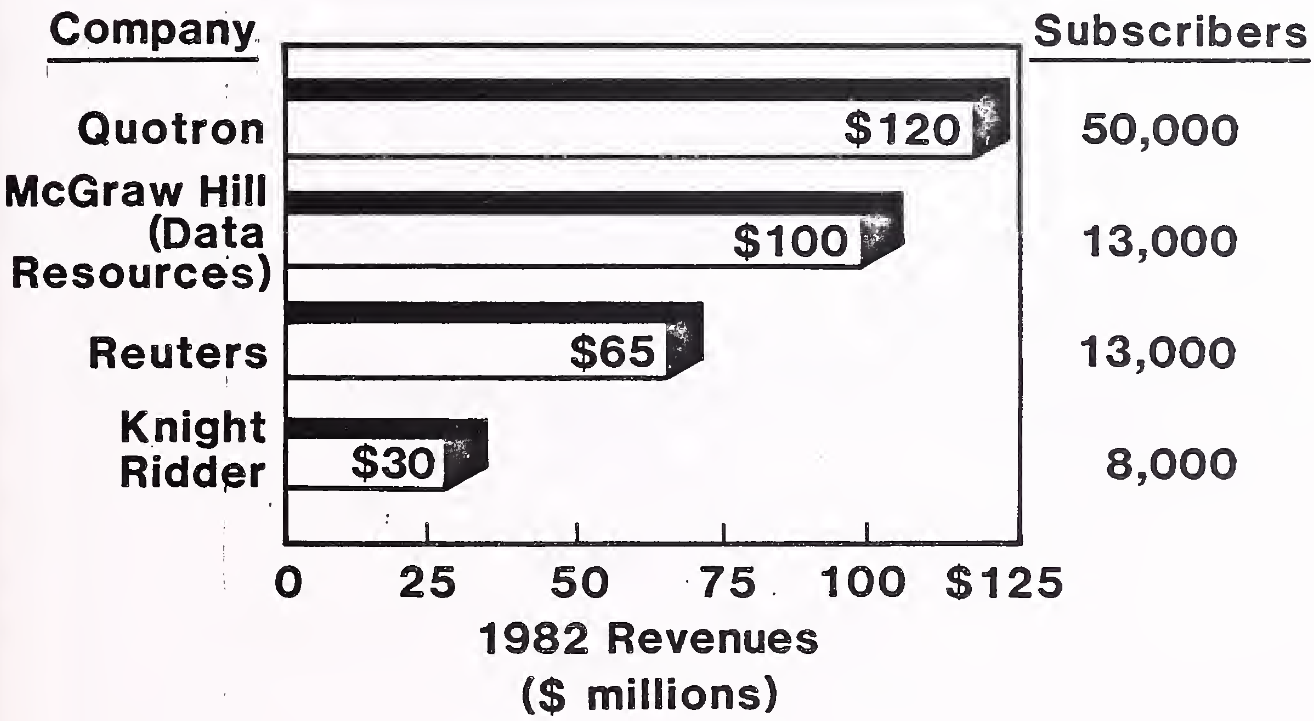
- Dominant Vendors by Application

Economic	- DRI & IDC
Stock Quote	- Quotron
Credit	- Telecredit, TRW
Real Estate	- PRC
Legal (Text)	- Mead Lexis

INPUT

190MCP3

ON-LINE DATA BASE VENDOR PERFORMANCE



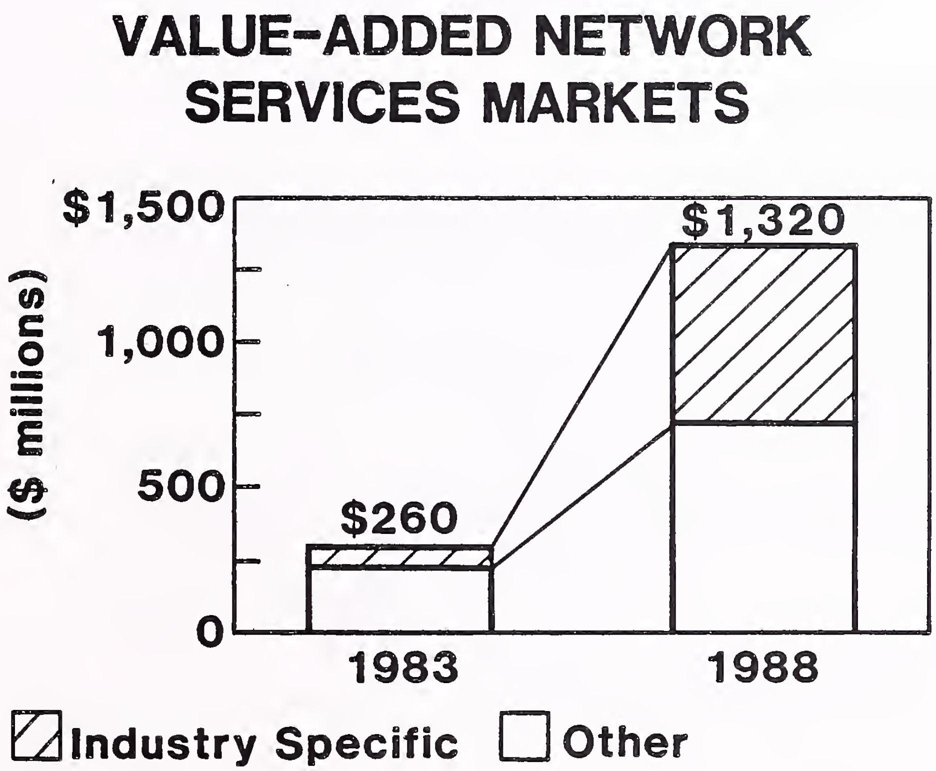
INPUT

191MCP3

DATA BASE-RELATED OPPORTUNITIES

- Provide Distribution Channel For Publishers
- Target Home-based PCs
- Use Spin-off Data From Transaction Processing
- Improve Data Handling and Interface Software

INPUT


VALUE-ADDED NETWORK
SERVICES MARKETS
$1,500
1,000
500
0
($ millions)
$260
$1,320
1983
1988
Industry Specific
Other

INPUT

MPC3

Processing Services

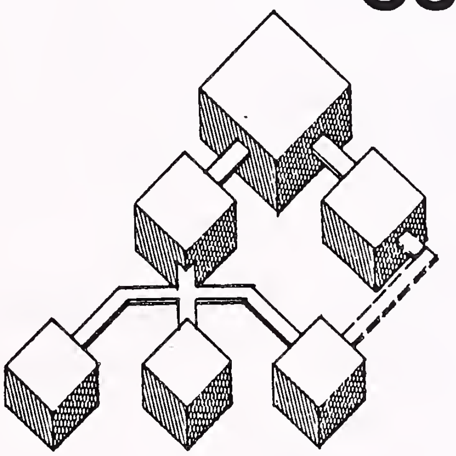
RECOMMENDATIONS

- Focus on Selected Market Segments
- Expand Delivery Mode Alternatives
  - Software Products
  - Professional Services
  - Integrated Systems
- Increase PC-RCS Offerings

INPUT

213MCP3

SOFTWARE PRODUCT OUTLOOK



Profile

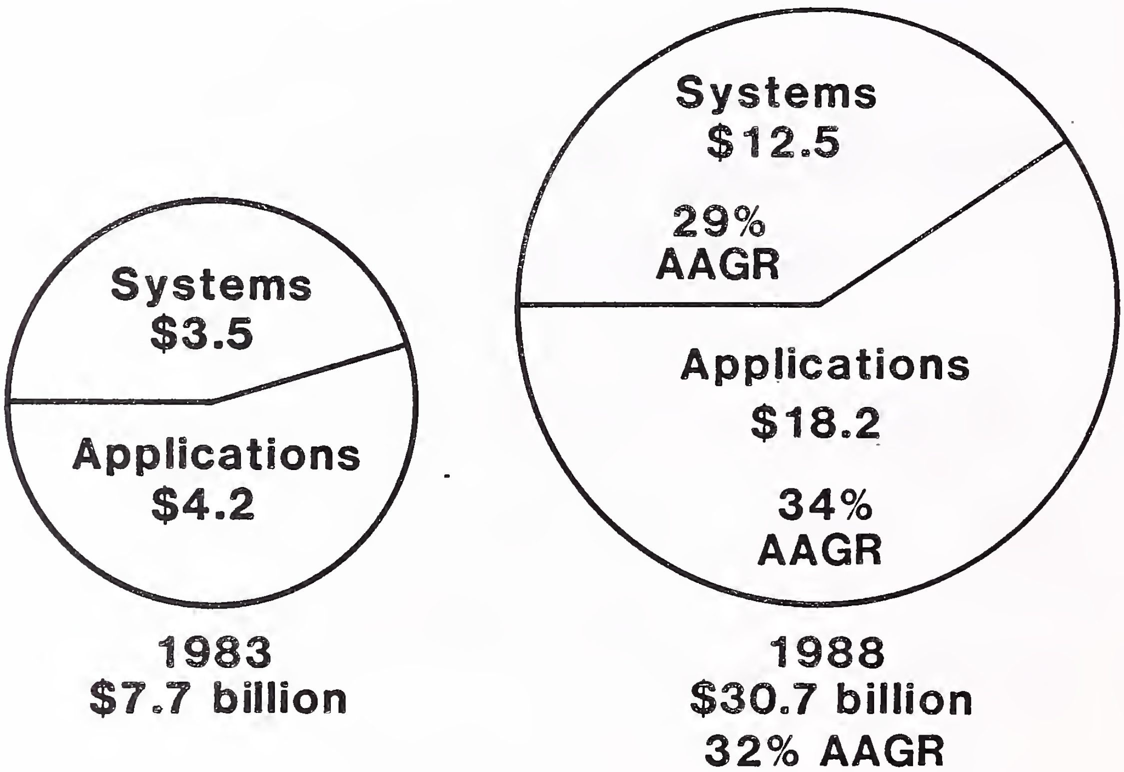
Trends

Recommendations

INPUT

214MCP3

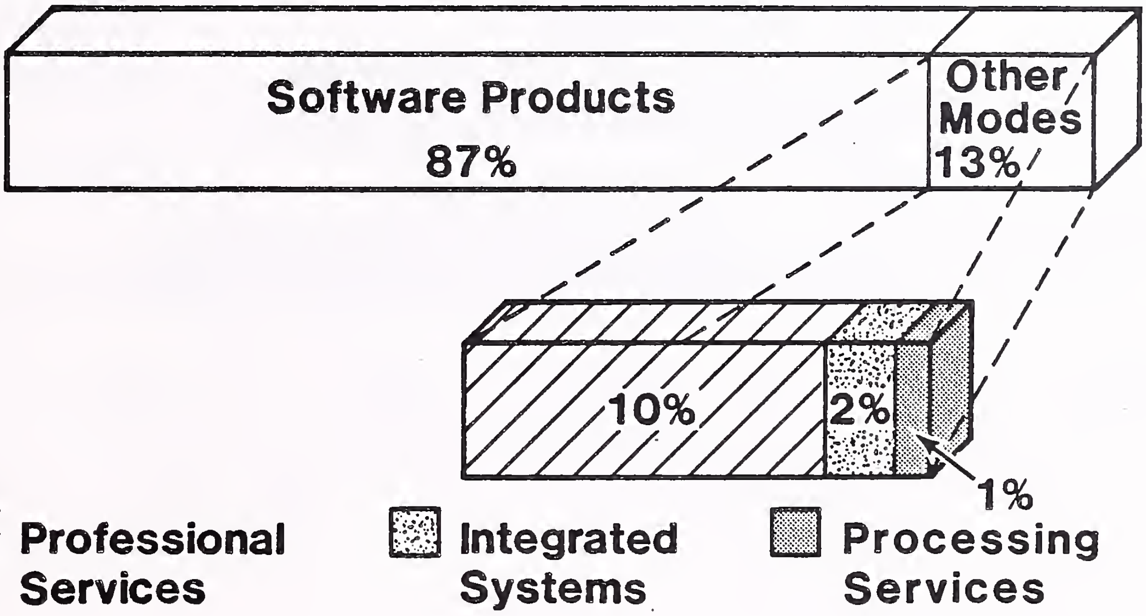
SOFTWARE PRODUCTS GROWTH



INPUT

215MCP

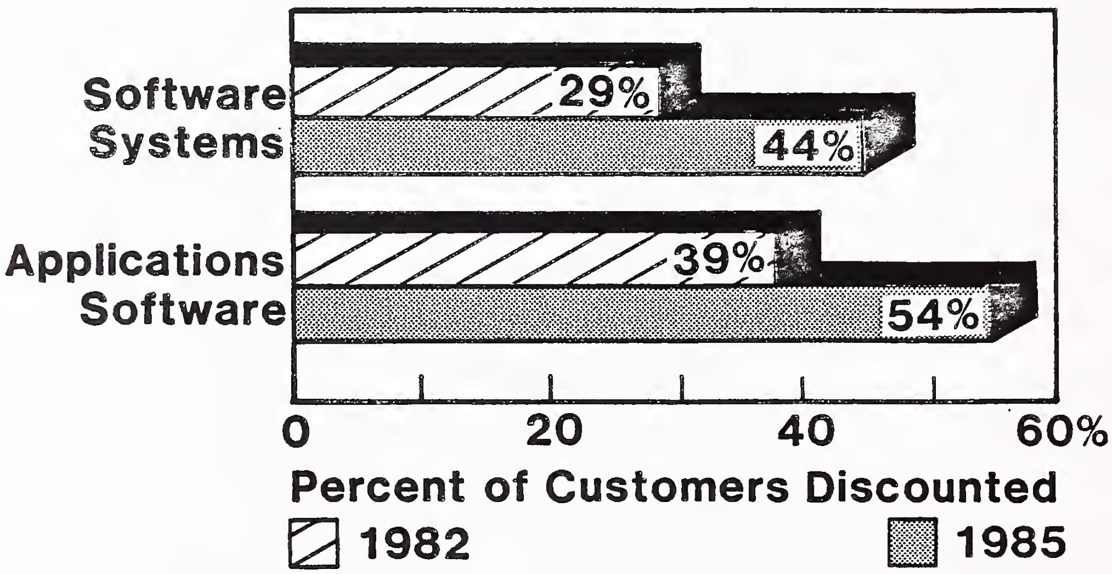
DISTRIBUTION OF SOFTWARE PRODUCTS COMPANIES' REVENUE



INPUT

216MCP3

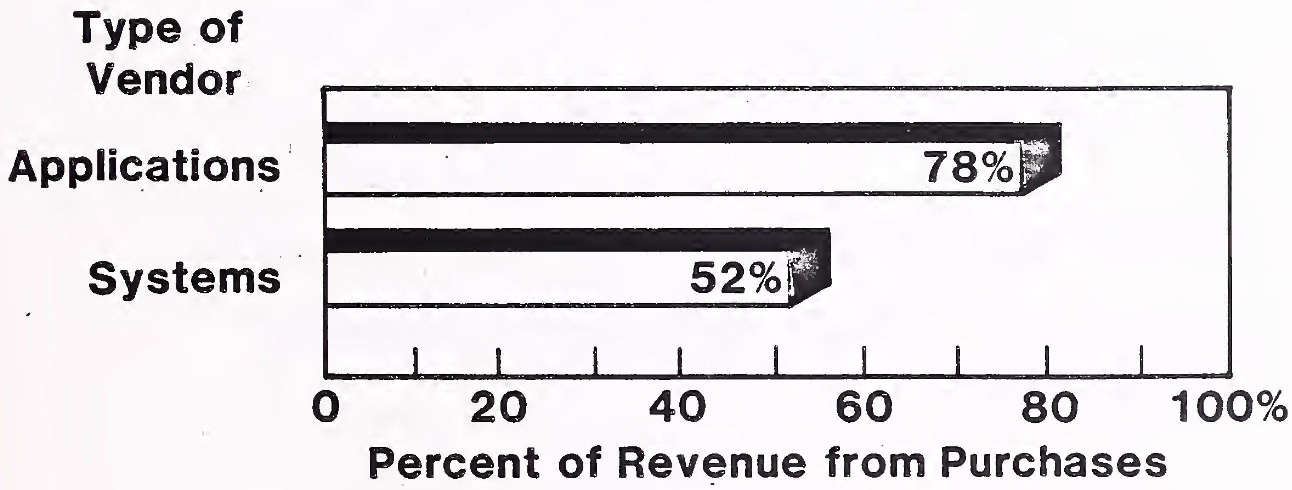
DISCOUNTING TO INCREASE



INPUT

217MC

HIGH PURCHASES RATIO THREATENS STABILITY



INPUT

218MCP3

SOFTWARE PRODUCT TRENDS

- 82% of Vendors To Have PC Offerings
- More Joint Ventures
- New Entrants
- Increased Acquisitions by Large Companies
- Emergence of Software Product Holding Companies

INPUT

SOFTWARE PRODUCT RECOMMENDATIONS

- Use PCs to Pull Mainframe Sales
- Market Mainframe Versions of PC Successes
- Use Third Parties to Accelerate Market Penetration
- Increase Lease Bases to Stabilize Revenue Swings

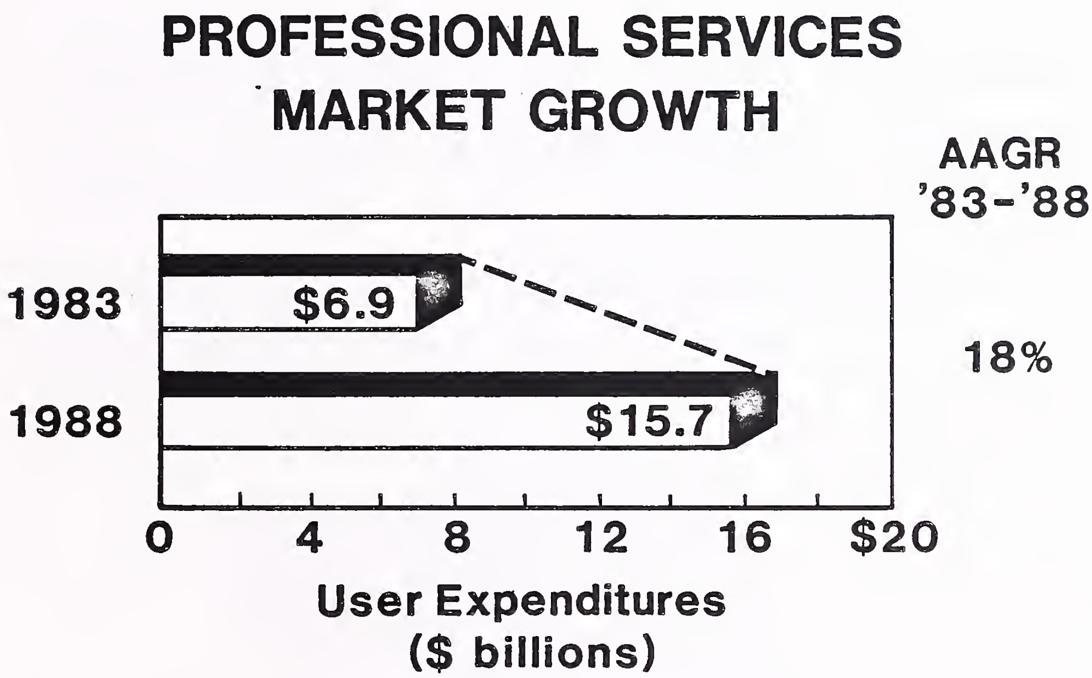
INPUT

PROFESSIONAL SERVICES OUTLOOK

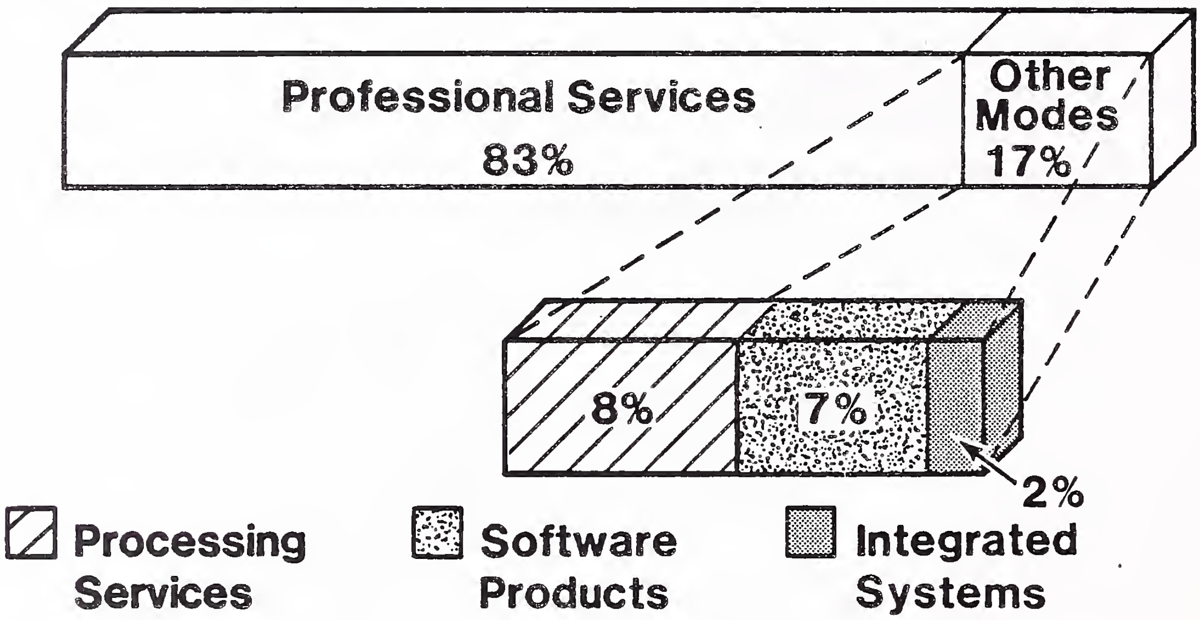
- Profile
- Trends
- Recommendations

INPUT

222MCP3


PROFESSIONAL SERVICES
MARKET GROWTH
AAGR
'83-'88
1983
$6.9
1988
$15.7
18%
0
4
8
12
16
$20
User Expenditures
($ billions)

DISTRIBUTION OF PROFESSIONAL SERVICES COMPANIES' REVENUE



INPUT

224MCP

Professional Services

TRENDS

- Growth Variance by Geography
- Enhanced Activity by RCS Vendors
- More E&T Competition From Hardware Vendors

INPUT

225MCP3

Professional Services

RECOMMENDATIONS

- Establish Speciality Skills
- Expand Alternative Delivery Modes to Known Markets
- Seek Joint Marketing Relationships

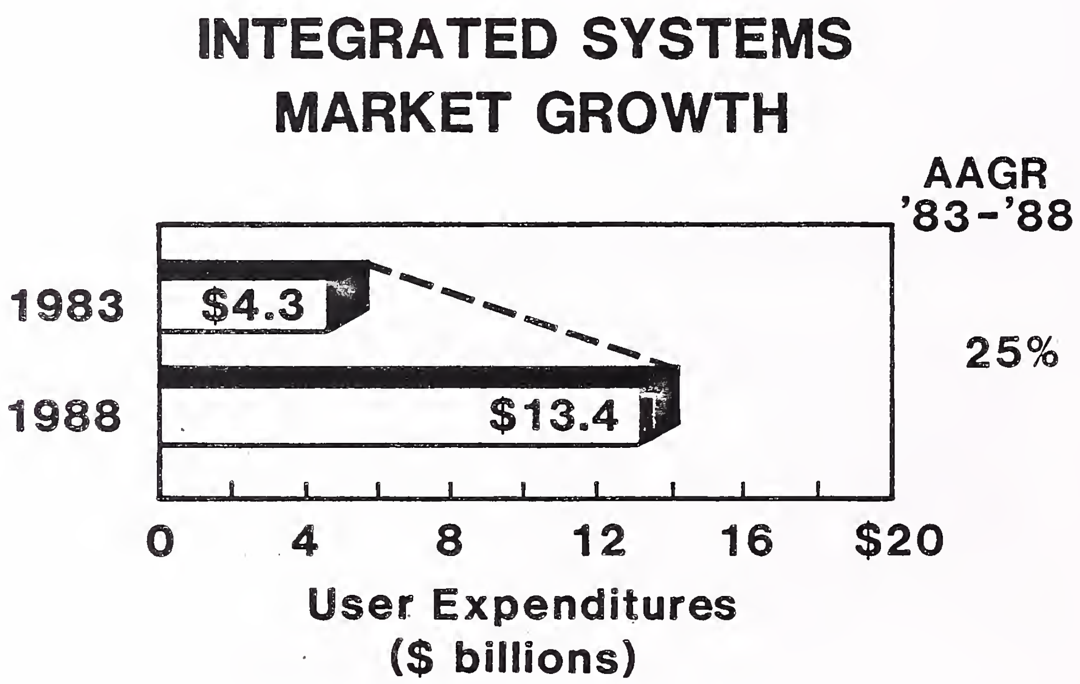
INPUT

226MCP3

INTEGRATED SYSTEMS OUTLOOK

- Profile
- Trends
- Recommendations

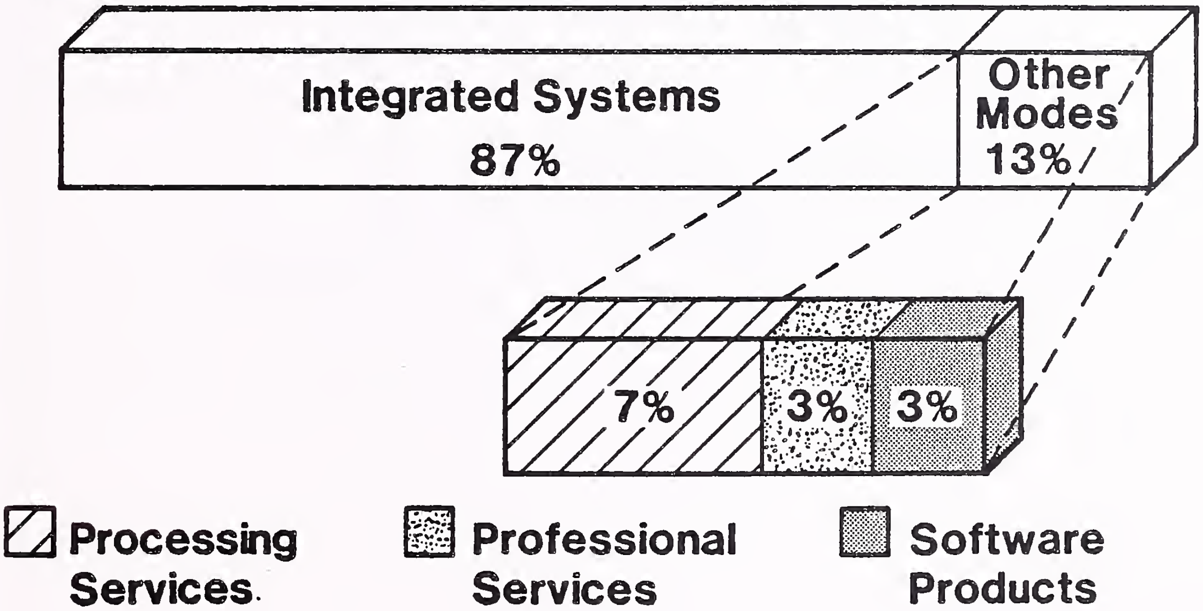
INPUT



INPUT

228MCP

DISTRIBUTION OF INTEGRATED SYSTEMS COMPANIES' REVENUE



INPUT

Integrated Systems

TRENDS

- Expanding Service Offerings
  - Service/Software More Important than Price
  - Enhanced Account Control
- Competition From Nonturnkey Vendors

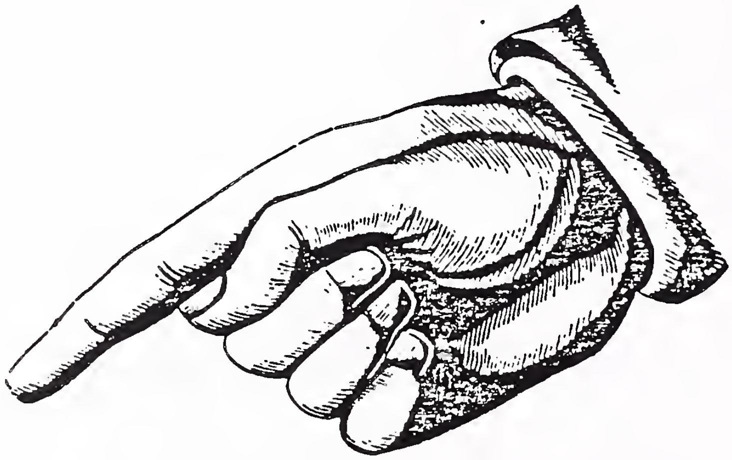
INPUT

230MCP

RECOMMENDATIONS

- Offer Variations of Service
  - RCS Version
  - Rental Systems
  - Software Products
- Develop PC Tie-ins
- Expand Field Service Role

INPUT



CONCLUSIONS AND RECOMMENDATIONS

THE INDUSTRY TODAY

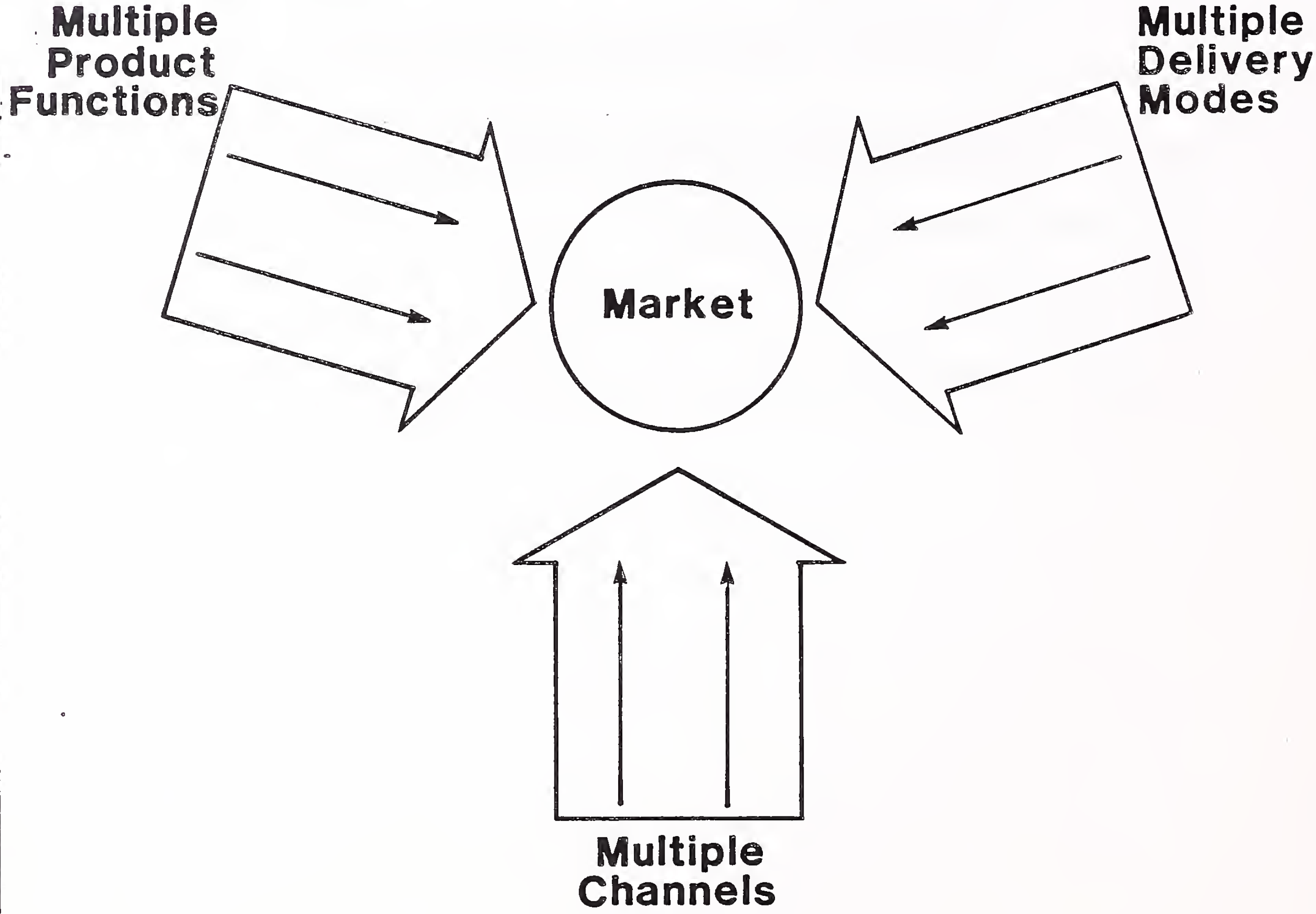
- Demand Exploding
- Technology Creating More Options
- Users Want Best of Both Worlds
  - More Powerful Systems
  - Easier Use
- Competition Becoming Better Financed

INPUT

233MCP3

Recommendations

USE INTEGRATED STRATEGIES TO LEVERAGE MARKET EXPERTISE



INPUT

234MCP3

Recommendations

OFFER MULTIPLE PRODUCT FUNCTIONS

- Previously Separate Functions
  - LISA
  - (LOTUS 1-2-3, Context MBA)
- Link to Other Vendors' Systems
  - VisiAnswer/Answer DB

INPUT

235MCP3

Recommendations

USE MULTIPLE DELIVERY MODES

- Competitive Edge Is Market Knowledge
- Software Product Versions
- Complementary Data Base Services

INPUT

Recommendations

USE MULTIPLE DISTRIBUTION CHANNELS

Examples:

Artificial Intelligence, Inc.	⟶	IBM (INTELLECT)
VisiCorp	⟶	Informatics, ADR
AGS Computers	⟶	Micro America Distributing
SEI	⟶	Client Banks

INPUT

EXAMPLES OF MULTIPLE DELIVERY MODES

RCS (Martin Marietta) ⟶ Systems Software (Mathematica)

RCS (ADP,CSC) ⟶ VAN (Autonet)

Turnkey Systems (ASK) ⟶ RCS (ASKNET)

INPUT

237MCP3

SUMMARY

- Provide Multiple Approaches to Selective Markets
- Leverage Partnership Opportunities

INPUT

SUMMARY

- Embrace End-user Computing
- Accelerate PC-oriented Services
- Design for Three Levels
- Focus on Ergonomics

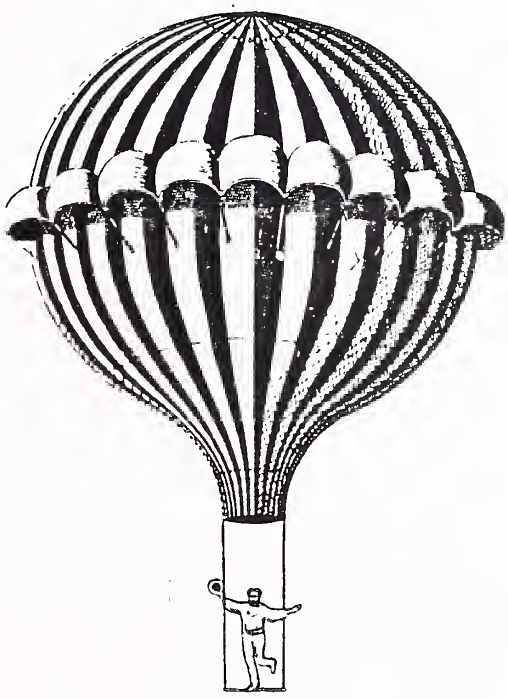
INPUT

1983 - 1988

UP,

UP,

AND AWAY!



INPUT

241MCP3